THE
MADRAS PROVINCIAL BANKING ENQUIRY COMMITTEE

VOLUME I

REPORT

MADRAS

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REPORT

CHAPTER I.

INTRODUCTORY.

After a number of discussions the Government of India decided that, pending the reintroduction of the proposal to provide a Central Reserve Bank, it was desirable to hold an enquiry into the existing conditions of banking in India, and to make recommendation for the expansion of both indigenous and joint-stock banking with special reference to the needs of agriculture, commerce and industry.

2. In the absence of any precise terms of reference it seems necessary to specify the purpose for which the Committee has been called. The proposal was to set up a Central Committee and a number of Provincial Committees and to arrive at a clear definition of the scope of enquiry by the Provincial Committee, the following analysis of the subjects to be covered by the enquiry as a whole was arrived at:— Scope of enquiry.

(i) The regulation of banking with the object of protecting depositors and thereby increasing confidence in the banking system;
(ii) Banking education with the object of providing facilities for obtaining training in banking and generally of creating a body of people who have a real knowledge of the principles and practice of banking; and
(iii) The development and extension of banking on sound lines.

This last item is capable of further subdivision as follows:—

(*a*) Industrial banks and credit facilities for India's main industries like cotton, jute coal, etc.;
(*b*) Financing of foreign trade;
(*c*) Agricultural credit (including co-operative credit) and credit facilities for small industries;
(*d*) Mortgage banks; and
(*e*) Financing of internal trade in connection with all the above headings.

Items (i), (ii), (iii) (*a*) and (*b*) were excluded from the purview of the Provincial Committees and it was suggested that the object was to secure so far as the rural population is concerned that the cultivator should receive the credit he needs both for the improvement of his land and its equipment and for the marketing of his produce, and that, on the other hand, means should be devised to stimulate the habit of investment and attract banking deposits. Consequently Provincial Committees should conduct in a few selected areas an intensive survey of conditions, existing facilities and requirements and a general survey of the Province as a whole.

3. It was decided that the Central Committee should in addition to their precise duties outlined act as advisers to the Government in laying down the lines on which Provincial Committees should conduct their enquiry.

4. These proposals were in general agreed to and a press communiqué was issued on 12th June 1929 stating that the objects of the enquiry were the investigation of existing conditions of banking and the consideration of what steps, if any, are feasible and desirable under the following headings:—

(*a*) The regulation of banking with a view to protecting the interests of the public;

(*b*) The development of banking in the sense of the expansion of both indigenous and joint-stock banking with special reference to the needs of agriculture, commerce and industry; and

(*c*) Banking education with a view to the provision of Indian personnel in adequate numbers and with the necessary qualification to meet the increasing needs of the country for a sound and well-managed national system of banking.

It was further laid down in the Government of India's letter that the Provincial Committees should classify the material and information collected under certain main heads which were specified.

Personnel of the Committee.

5. The following Committee was accordingly constituted:—

1. Mr. H. M. Hood, I.C.S. (*Chairman*).
2. Mr. P. J. Thomas, M.A., B.LITT., PH.D., *Professor of Economics, Madras University* (*Indian Economist*).
3. Mr. C. Gopal Menon, Cert. A.I.B., M.L.C. (*Representative of Commerce*).
4. Mr. H. F. P. Hearson, M.L.C. (*Representative of Commerce*).
5. Mr. M. A. Muthiah Chettiyar, B.A. (*Representative indigenous banker*).
6. Diwan Bahadur B. Muniswami Nayudu, B.A., B.L., M.L.C. (*Representative of agricultural interests*).
7. Khan Bahadur V. Hameed Sultan Maricair of Negapatam (*Representative of Urban interests*).

Rao Bahadur C. J. Paul, B.A. (*Secretary*).

6. The Central Committee prepared a general questionnaire and finally sent for the guidance of Provincial Committees a more elaborate skeleton on which the information and material should be set out. This report follows in detail the lines of that instruction so far as it is applicable to this province.

7. This Committee assembled at Madras on the 5th August 1929 and adopted with one or two minor alterations the questionnaire sent by the Central Committee. A copy of the questionnaire, as amended by the Committee, is printed on page xi of Volume II of the Report. Copies were sent to all persons who were likely to give useful information to the Committee. Copies were also sent to the Board of Revenue and to a few other Heads of Departments for distribution to such of the officers under them as were in their opinion likely to furnish useful replies to at least a few of the many points which the Committee had to investigate. On the whole nearly 6,000 copies in English and over 200 in the vernaculars were thus distributed in the Presidency. The questionnaire was also published in the *Fort St. George Gazette* in English and in all the District Gazettes in the vernaculars. In all we received 277 replies which are printed in Volumes II and III of the Report. Of those who replied to the questionnaire 31 gave oral evidence before us. Fifty-one persons, though they had not sent any reply, were also invited to give and gave oral evidence. The oral evidence recorded is printed in Volume IV of the Report. Procedure.

8. The difficulties which the Committee has had to face arise from the fact that in a province of such marked diversities as Madras where the methods of rural credit and marketing and the forms and incidence of indebtedness are so varied that a full enquiry into and account of the whole of them over all parts of the Presidency would require a far longer time and a much larger staff than were available to us. A full enquiry into all the problems of rural indebtedness and finance of all internal trade and of industries and of the finance of those and of the movement of money and transport of goods would involve an amount of labour which it was not possible for us to perform fully in so brief an enquiry. If it is thought necessary that further enquiries, particularly in realms of rural finance, are desirable, we consider that this could best be done by the appointment of a Board of Economic Enquiry to work in co-operation with the Government Departments and with the University. Difficulties.

9. The Committee considered that it was impossible to undertake an intensive survey of whole districts as was apparently contemplated within the limited time available and decided to have a survey of rural finance done in a group of villages chosen for the purpose in each of four typical districts of the Presidency. A survey was accordingly made by two Investigators specially appointed for the purpose in the districts of East Godavari and Bellary in the north and in Madura and Coimbatore in the south. An intensive investigation was also made by the Investigators into Intensive survey.

the banking facilities available in the towns of Madura and Cocanada. A Sub-Committee of the main Committee made a similar enquiry in Madras City. The reports of the Investigators are printed in Volume V of the Report.

Coorg Sub-Committee.

10. A Sub-Committee of the Committee with two representatives from Coorg in it was under the orders of the Government of India entrusted with the task of enquiring into the banking facilities available in that Province. This Coorg Sub-Committee's Report and evidence, both written and oral, are printed in Volume VI of the Report.

Itinerary.

11. The Committee in the course of its enquiry visited Rajahmundry and Bellary in the north, Madura and Tuticorin in the south and Coimbatore and Calicut in the west. While at Rajahmundry the Committee took the opportunity of verifying the report of the investigator on one of the villages in East Godavari district. While at Madura the Chairman visited Chittampatti and made enquiries into the conditions obtaining in that village with reference to the Investigator's report. The Committee also visited Tiruppur from Coimbatore and made enquiries into the working of the co-operative society organized in that centre for marketing cotton.

Cost of enquiry.

The estimated cost of the Committee is—

	RS.
In 1929-30	41,000
In 1930-31	18,000
Total ...	59,000

CHAPTER II.

Special Features of the Province.

12. The economic factors which determine the conditions in which any system of banking, money-lending or finance must operate can only be examined with reference to the large communities engaged in different forms of activities for obtaining their livelihood.

Diversity of conditions.

13. There is the very greatest disparity between the different areas in this Presidency. Not only is there great diversity of language but there are also marked variations in the fertility in the soil and of the climatic conditions in which that soil must be cultivated and other occupations pursued. Races and castes vary greatly from one part of the Presidency to another. So again do the effects of climate on the health of the inhabitant and on his energy, strength and endurance. There are thus a number of localities in each of which the conditions are more or less uniform, but each having its characteristics and differing in those peculiarities from other areas. There are minor variations of

conditions in each area. Without a brief reference to those conditions no outline of the economic conditions of the Presidency would be complete.

14. "The climate of the southern districts of the Madras Presidency has been not inaptly summed up as being nine months hot and three months hotter." The mean temperature in Madras City in May is 89·6° and in January 76·2°. The hill tracts are, up to about 4,000 feet, generally unhealthy and feverish while the plains and the higher hills are largely free from serious malaria. The south-west monsoon rarely fails on the West Coast and on the tops of the Western Ghauts, the Nilgiris and the Travancore Hills but these hills shelter the rest of the Presidency from the full force of this monsoon. The main river deltas are, however, dependent on this monsoon and the Deccan and the north-east districts from Guntur northwards get their major supply during the south-west monsoon while the coastal districts from Nellore south and all the Tamil districts south of Coimbatore have their major supply from the north-east monsoon which is moderately heavy on the coast but falls off rapidly inland. Climate and rainfall.

15. The language areas are not limited by any natural boundaries. The Telugu and Oriya areas meet somewhere in Ganjam district and it is cut off from Central India by a belt of fever-ridden hill and jungle inhabited by primitive folk speaking chiefly Khond, Savara and Koya. Telugu and Kanarese meet somewhere in the west of Bellary district and along the Mysore eastern boundary. Madras City is on the vague boundary between Telugu and Tamil and the west of Coimbatore marks the boundary between Tamil and Malayalam. The West Coast is divided between Malayalam-speaking Malabar and polyglot South Kanara where Tulu, Kanarese, Mahrati, Konkani and English are all commonly spoken. Linguistic divisions.

16. There is one marked characteristic in which Malabar differs from the rest of the Presidency and that is in the fact that in the rural parts ryots do not live huddled together in groups in villages but are scattered each living in his own holding. Here and there, there are tiny bazaars but the characteristic of the countryside in its scattered homesteads is evident to the most casual observer.

17. No summary of economic conditions affecting rural finance and of the factors which enhance or diminish rural credit and the facility with which advances can be recovered would be complete without a brief reference to the Hindu Law affecting different parts of the Presidency. Generally the Mitakshara Law applies. Land as other property is held by a joint family; the management descends from father to son but the ownership is in the family; all the members have an interest in it and it can be alienated only for the benefit of the family. A debt contracted therefore by one member may be disputed by subsequent survivors on the ground that it was for immoral purposes or for other purposes not to the interest of the family. Any property can, however, be acquired by a member by his own exertions or by gift and a member may Hindu Law.

claim partition and so obtain his share of the joint-family property for himself individually. In such properties the rest of the family have no claim but though the member who has acquired it has the right to do with it as he sees fit, its disposal is apt to raise a question of fact whether it was so acquired and was not a part of the joint property. When all members of the family must give their consent to the alienation of joint property it will be seen that there is endless scope for litigation and the value of such property as a basis for credit must accordingly be discounted.

18. There is, on the West Coast, the *alter ego* of the Presidency, an entirely different system. In South Kanara the Aliyasantana Law governs the actions of the old Tulu landholding, cultivating and labouring classes, the Mappilla descendants of Arab settlers and the Bunts. In Malabar the Marumakkattayam system is followed by all the Nayars, most of the Thiyans and other Hindus while the Makkattayam Law governs the Brahmans, the Christians, the Thiyans of South Malabar and also low caste labourers. The characteristic feature of the system is that descent is traced through the female line and all property rests in the joint-family or tarwad. No one has more than a claim to maintenance and residence and no one can claim partition. It is managed by one member and is apparently of rather less value as an asset on which to raise a loan than joint-family property under the Mitakshara Law.

Ryotwari tenure.

19. The economic conditions must be considered, however, with reference to communities based on occupations. Of these, agriculture comes first and it presents certain common features over the Presidency though with marked variations. Throughout the Presidency except on the West Coast the principal tenure is the ryotwari under which the ryot holds the land direct from the Government subject only to the payment of kists. There is no restriction on the ryot's powers of alienation but in the event of its being sold to recover arrears of revenue, including takavi loans, to the Government the vendee receives a clean title, the sale conveying the land free of all encumbrances.

Zamindari tenure.

20. There is also a large area under the zamindari tenure in which the zamindar holds the estates of the Government on payment of a lump sum "peshkash" while his tenants on the ryoti lands hold of him on payment of a fixed rent. They have an occupancy right which is alienable without restriction, the ryot being liable to eviction only for non-payment of rent and for rendering the land unfit for cultivation. The zamindar has, however, certain small home-farm lands which he may cultivate himself or lease out to tenants-at-will who have no saleable interest.

Inams.

21. There is a considerable number of holdings of varying size, mostly small, of inams of various kinds. The main features of these are that the land is held on a reduced or nominal assessment or quit-rent in many cases on conditions that certain religious, charitable or other services are rendered to the community and

that on failure to render the services the land is liable to resumption or to assessment at the full ryotwari rates. In some cases the land is given as inam while in other cases the inam consists only of the land revenue. Many inams are, of course, trust property held on behalf of temples or other institutions and their alienation is restricted accordingly, but inams held personally have no other restrictions on their tenure than those to which reference has already been made.

Tenure in Malabar.

22. In Malabar district, we come to an entirely different tenure. The land is held of the Government by the janmi who pays an assessment to the Government. Under him is a kanamdar who holds on a 12 years lease, who has a right to renew on payment of a renewal fee, but can be turned out at the expiry of every such period only on payment of the cost of any improvement he may have effected in the land. It is generally considered that the kanamdar is, in regard to the security of his tenure as a basis of credit, little different from the zamindari occupancy ryot. The kanamdar may himself cultivate or he may sublet to a tenant-at-will.

23. A large area of land particularly in the planting areas on the hills is held on terminable long-term leases from the Government. Apart from tea and similar estates, however, leasehold tenure is not important.

Tenure in South Kanara.

24. In South Kanara the holding under the Muli tenure is a warg, which may include lands of different kinds in different places even in different villages. The area may be unknown and the assessment charged is a lump sum for the whole. The Mulawargdar owns the land subject only to payment of assessment to the Government and has also a claim over the adjacent waste land or kumaki. The two main classes of tenant under the wargdar are the mulgenidars or permanent tenants with an occupancy right and the chalgenidars or tenants-at-will. The mulgeni tenant pays a fixed rent and has the right to surrender the land on payment of the value of improvements. The chalgeni tenants do actually continue on the land undisturbed for generations but they have no saleable interests in it. Consequently there is only the crop on it to provide any security for a loan.

Relative areas of different tenures.

25. The total extent of land on the ryotwari tenure is 27 million acres and the zamindari 19 million acres.

Economic conditions of ryots.

26. A ryot holding under a zamindar or the kanamdar under a janmi is, however, less well-off than one holding direct from the Government. His rent to the landholders is customarily more than the assessment paid to the Government. Government sources of irrigation are in general kept in better condition, there are fewer incidental exactions and though in ryotwari tracts the Government collects the assessment and cesses in full without fail, while there is commonly in zamindari areas a large uncollected balance, this

failure to collect is not distributed among the cultivators, so that all benefit equally; it depends on the skill, influence, ability to evade, obstinacy or poverty of the individual. In consequence, other things being equal, land in zamindari is less readily saleable outside and therefore less valuable than that in ryotwari villages.

Value of land and crops.

27. It is not possible to discuss the value of land apart from the value of crops. The three main features which affect the value of land are: its net yielding power, the regularity with which it will give that return and its saleability. Thus excluding large and prosperous estates on the hills, chiefly under European management, the paddy lands in the deltas are the most valuable, failure of water-supply which is drawn from an immense area is rare, the silt carried down constantly supplies a modicum of fertility and the crop yielded gives a good return. The lankas or islands of silt in the big rivers are more fertile and the tobacco and garden crops grown on them more valuable, but they are submerged during high flood and may be washed away altogether. The sale value is therefore less in proportion to an average annual return. Tea, coffee, pepper, will give a better yield per acre than most other dry crops; but climatic limitations confine them to a small part of the Presidency and the necessity for considerable capital and the power to wait for four or five years before any return is obtained prohibits most ryots from growing such crops. The co-operative agricultural demonstration societies of which details are given in paragraph 350 have shown that with improved agriculture a marked increase in yield can be obtained, but there are vast dry areas notably on the Deccan where in a good year a valuable cotton or groundnut crop can be grown but as they get a really good crop only about once in five years the value of the land is reduced accordingly and after a number of bad years the value of land falls off to a remarkable extent presumably because bad years bring more land on to the market. The following statement shows the normal yield in pounds per acre of various crops in the different districts in the Presidency. This figure has been arrived at by the Agricultural department based on the actuals over a number of years.

—	Paddy irrigated.	Paddy unirrigated.	Cholam irrigated.	Cholam unirrigated.	Cumbu irrigated.	Cumbu unirrigated.	Ragi irrigated.	Ragi unirrigated.
	LB.	LB.	LB.	LB.	LB.	LB.	LB.	LB.
Ganjam	1,300	800	1,200	700	1,200	650	1,100	700
Vizagapatam .	1,400	800	1,300	700	1,200	700	1,200	700
Godavari East	2,000	900	1,300	700	1,200	630	1,200	800
Godavari West ..	2,000	1,000	1,300	700	1,200	630	1,300	800
Kistna	1,800	1,000	1,300	700	1,200	630	1,600	800
Guntur	1,800	1,100	1.300	630	1,200	630	1,900	800
Kurnool .. .	1,600	1,000	1,400	630	1,200	550	1,600	650
Bellary	1,400	900	1,500	450	1,300	450	1,000	450

—	Paddy irrigated.	Paddy unirrigated.	Cholam irrigated.	Cholam unirrigated.	Cumbu irrigated.	Cumbu unirrigated	Ragi irrigated.	Ragi unirrigated.
	LB.	LB.	LB.	LB.	LB.	LB.	LB.	LB.
Anantapur ..	1,700	800	1,400	450	1,200	400	1,550	600
Cuddapah	1,800	900	1,500	630	1,300	700	1,650	600
Nellore	1,550	1,100	1,300	600	1,300	700	1,650	600
Chingleput ..	1,550	1,100	1,400	600	1,000	650	1,100	600
South Arcot ..	1,850	1,100	1,500	600	1,000	700	1,500	800
Chittoor	1,900	1,000	1,500	600	1,000	650	1,800	700
North Arcot ..	1,900	1,100	1,500	600	1,200	650	1,550	800
Salem	1,900	800	1,500	600	1,300	600	1,550	750
Coimbatore ..	1,900	800	1,500	600	1,200	400	1,700	800
Trichinopoly ..	1,900	1,000	1,500	500	1,200	500	1,400	650
Tanjore	1,750	1,000	1,300	500	1,200	700	1,100	500
Madura	1,950	900	1,400	600	1,000	450	1,400	650
Ramnad	1,800	1,100	1.400	400	1,000	400	1,500	400
Tinnevelly ..	2,000	1,000	1,500	350	1,000	450	1,600	500
Malabar	..	1,400	..	700	..	600	..	1,500
South Kanara ..	..	1,500	..	..	..	..	..	1,000
The Nilgiris ..	..	1,800	..	500	..	450	..	1,000
Presidency ..	1,750	1,144	1,454	574	1,209	543	1,470	707

—	Korra.	Varagu.	Samai.	Maize.	Bengalgram.	Horsegram.	Sugarcane.	Groundnut.
	LB.	LB.	LB.	LB.	LB.	LB.	LB.	LB.
Ganjam	600	700	500	1,000	600	180	5,000	1,288
Vizagapatam	600	700	500	1,000	550	200	6,500	1,232
Godavari East	700	800	600	1,000	500	180	7,500	1,288
Godavari West ..	700	800	600	1,000	500	200	7,500	1,120
Kistna	700	800	600	1,100	500	200	7,500	1,288
Guntur	600	700	500	1,100	450	180	7,500	1,120
Kurnool	350	500	400	1,000	475	210	4,500	1,176
Bellary	350	500	400	1,000	550	210	6,000	1,198
Anantapur	350	500	400	1,000	485	200	4,300	1,154
Cuddapah	400	600	400	1,000	475	200	6,000	1,064
Nellore	700	600	400	1,000	500	200	6,000	1,176
Chingleput	800	800	500	1,000	350	200	6,000	1,064
South Arcot	1,000	1,300	500	1,000	452	200	6,500	1,042
Chittoor	600	700	500	1,000	550	190	7,300	1,120
North Arcot	900	1,000	500	1,000	550	180	6,000	1,075
Salem	700	600	400	1,000	500	180	6,000	1,042
Coimbatore	700	600	400	1,000	475	180	7,500	1,053
Trichinopoly	700	1,000	500	1,000	500	200	5,000	1,075
Tanjore	700	1,000	500	1,000	375	200	6,000	1,086
Madura	600	900	500	1,000	475	200	6,000	1,109
Ramnad	600	900	500	1,000	550	200	4,500	1,154
Tinnevelly	500	900	400	1,000	500	200	4,500	952
Malabar	600	..	400	1,000	525	200	6,000	1,075
South Kanara	..	..	500	1,000	..	200	5,400	..
The Nilgiris	700	700	600	1,000	500	200	6,000	..
Presidency	400	866	457	1,068	497	193	6,418	1,114

—	Gingelly.	Castor.	Cotton Irrigated.	Cotton Un-irrigated.	Tobacco.
	LB.	LB.	LB.	LB.	LB.
Ganjam	280	250	..	50	1,000
Vizagapatam	336	250	..	50	1,000
Godavari, East	336	250	..	75	1,300
Godavari, West	336	250	..	75	1,300
Kistna	336	250	..	75	1,300
Guntur	280	250	..	75	1,300
Kurnool	224	150	..	50	1,000
Bellary	224	150	..	50	1,000
Anantapur	224	150	..	50	1,000
Cuddapah	224	150	..	50	1,000
Nellore	280	250	..	75	1,300
Chingleput	280	250	..	50	1,000
South Arcot	280	250	250	59	1,000
Chittoor	280	250	250	55	1,000
North Arcot	280	260	250	50	1,000
Salem	280	400	250	79	1,200
Coimbatore	280	400	239	75	1,200
Trichinopoly	336	400	250	65	1,200
Tanjore	336	400	..	65	1,200
Madura	280	400	250	107	1,200
Ramnad	280	400	250	109	1,200
Tinnevelly	280	400	250	110	1,200
Malabar	224	400	..	50	1,200
South Kanara	280	400	..	50	1,200
The Nilgiris	280	400	..	..	1,200
Presidency	302	233	244	73	1,175

These figures show very clearly variations in output from one district to another based on general differences. They do not bring out the difference in yield between one field and another depending on manuring, irrigation facilities and other cultivation methods superimposed on variations in the natural fertility of the soil. The following statement of prices will give the value of these crops:—

Prices of crops in 1928-29 in rupees per imperial maund of 82 2/7 lb.

District.	Rice.	Cholam.	Cumbu.	Ragi.
	RS. A.	RS. A.	RS. A.	RS. A.
Ganjam	5 14	..	..	3 2
Vizagapatam	6 6	..	3 7	3 5
Godavari, East	6 5	3 11	..	3 5
Godavari, West	6 4	4 5	..	3 12
Kistna	6 1	4 7	..	3 5
Guntur	5 14	4 3	4 12	..
Kurnool	6 15	3 9	4 13	..
Bellary	7 2	3 12	..	..
Anantapur	6 15	4 0	3 11	3 11
Cuddapah	7 7	4 3	4 2	3 11
Nellore	7 3	3 6	4 5	3 4

(NOTE.—Blanks in these forms indicate that the crop is not an important food grain in that particular district.)

Prices of crops in 1928–29 in rupees per imperial maund of 82 2/7 lb—*cont.*

District.	Rice.	Cholam.	Cumbu.	Ragi.
	RS. A.	RS. A.	RS. A.	RS. A.
Chingleput	5 15	..	..	4 11
South Arcot	7 3	..	4 12	4 8
Chittoor	6 14	..	4 12	4 5
North Arcot	7 3	..	4 4	4 11
Salem	8 12	4 6	4 12	4 5
Coimbatore	7 9	5 2	5 5	4 13
Trichinopoly	8 4	4 6	5 9	5 0
Tanjore	7 11	..	..	5 4
Madura	6 11	4 12	5 8	4 15
Ramnad	6 12	4 3	5 14	3 11
Tinnevelly	6 7	3 15	5 2	3 13
Malabar	6 12	..	..	..
South Kanara	5 15	..	..	..
The Nilgiris	7 11	..	..	5 13

(NOTE.—Blanks in these forms indicate that the crop is not an important food grain in that particular district.)

Cultivation methods.

These prices are arrived at by taking an average over two or three of the principal markets in each district. We have already observed that the size of the crop depends on the value and the yield depends on the cultivation methods and we have referred to the agricultural demonstration societies in Tanjore and Trichinopoly districts. There is a gradual tendency on the whole to improvement in cultivation methods as is to be observed from the fact that numbers of improved ploughs are being sold and increasing quantities of artificial manure. Local supplies of manure are in many parts of the Presidency defective. In certain places manure crops are being grown, for example, sunn-hemp in the case of a delta; oil-cake is extensively used, for example, in Madura district and an appreciable quantity of the groundnut crop is crushed locally instead of being exported in bulk. Green leaves are always used for manure where they are readily available in quantity but there are large areas where such supplies are inadequate. In regard to paddy there are very considerable variations in seedlings employed and this depends very largely on whether the seedlings are transplanted in large bunches or singly. For example, in the Kistna delta transplantation is in very small bunches, nominally it is single seedling transplantation, while in the Nagavalli project or again in Tanjore delta that is not the custom. Then again there are many variations in the use of irrigation. Irrigated paddy is a very much more profitable crop than any dry crop. But it is possible to give even paddy too much of water and then again the output falls off. Many crops are grown entirely dependent on local rainfall, for example, cholam, ragi, cumbu; but where water is available for irrigation or occasional irrigation very much better return is obtained. Another factor of delta irrigation is in the silt carried down and deposited on land

during the early floods but where water is stored in tanks prior to use for irrigation the bulk of this silt is deposited in tank and only goes on to the land subsequently if at all and at the additional expense of having it dug out from the tank-bed and carted to the land.

All these variations in the methods of cultivation affect the value of the crop produced and consequently of the land itself.

Irrigation. 28. The south-west monsoon rarely fails on the West Coast. Consequently lands to the west of the hill tops and all those areas irrigated by rivers rising in the Nilgiris and Western Ghauts and the Travancore Hills have a water-supply which rarely fails to be adequate. This supplies Malabar and South Kanara districts, the Godavari, Kistna and Cauvery deltas, the Kurnool-Cuddapah canal, the Periyar system and a number of minor irrigation sources depending on the same main supply. The crops so ensured are principally paddy and secondly sugar and these over such areas can be relied on to give a steady yield fluctuating between limits but rarely failing. For direct rainfall, tea, coffee, rubber, cardamoms and pepper on the hills, coconuts, arecanuts and ginger on the plains are all valuable crops. The remainder of the Presidency has a considerable area growing dry crops of which the most valuable are cotton and groundnut, though there is still a large area under various food grains, which presumably do not pay so well, and little trouble or expenditure is devoted to cultivation which is as likely to fail as not. A further considerable area is irrigated by tanks and minor projects relying on local rain or at most small rivers for their water and consequently far less reliable than the large deltas. The best of them are the Rushikulya System in Ganjam, the Nagavalli Project in Vizagapatam, the Pennar delta in Nellore and a number of minor ones. The crops grown in 1928-29 which may generally be taken all round as a fairly normal year were as follows:—

Crops.	Area in acres.		Yield in tons.	Price per maund.			Total value.
	Irrigated.	Total.		RS.	A.	P.	RS.
Paddy	7,744,827	11,018,984	7,757,230	3	7	0	72,53,01,006
Cholam	488,373	4,614,579	1,363,220	4	2	0	15,29,53,284
Cumbu	356,292	3,067,294	829,390	4	10	8	10,52,77,237
Ragi	998,393	2,254,014	1,069,620	4	2	8	12,12,23,600
Korra	62,086	1,559,734	324,220	3	8	0	3,08,65,744
Varagu	40,705	1,102,240	423,750	3	8	0	4,03,41,000
Samai	17,148	804,865	163,430	3	8	0	1,55,58,536
Maize	..	118,921	56,500	3	8	0	53,78,800
Other cereals	150,014	597,488	16,430	7	0	0	31,28,272
Total pulses	..	2,827,373	150,850	4	0	0	1,64,12,480
Sugarcane	85,439	89,075	244,820	9	0	0	5,99,31,939

Crops.	Area in acres.		Yield in tons.	Price per maund.			Total in value.
	Irrigated.	Total.		RS.	A.	P.	RS.
Sugar (total)	..	173,831	..		..		..
Total condiments and spices.	..	656,374	..		..		..
Mango	..	243,386	..		..		..
Plantains	..	127,095	..		..		..
Other fruits and vegetables.	..	307,291	..		..		..
Miscellaneous food crops.	..	42,644	..		..		..
Total food crops ..	..	29,516,113	..		..		..
Groundnut	118,122	3,679,349	1,830,330	4	0	0	..
Gingelly	146,377	759,716	98,710	9	10	8	19,91,39,904
Castor	3,485	344,373	32,410	6	8	0	2,59,64,149
Coconut	..	570,330	..		..		57,30,088
Other oil seeds ..	..	161,886	..		..		..
Total oil seeds ..	..	5,515,654	Bales		..		..
Cotton	234,419	2,464,775	523,860	40	0	0	..
Other fibres	..	176,252	..		..		10,18,60,000
Indigo	16,615	48,573	564		..		..
Other dyes	..	6,710	..		..		..
Tobacco	..	255,229	133,750	10	0	0	3,63,80,000
Other drugs and narcotics.	..	253,174	..		..		..
Fodder crops	..	407,426	..		..		..
Miscellaneous non-food crops.	..	135,238	..		..		..
Tea	..	153,016	..		..		..
Coffee	..	82,677	..		..		..
Other crops	478,976	..	..		..		..
Total ..	10,941,271	74,135,669	..		..		1,64,54,36,039

(NOTE.—1 ton = 2,240 lb. or 27·2 imperial maunds; 1 bale of cotton = 400 lb.)

The value of crops has been given for 33,206,000 acres out of 38,990,000 acres.

The area irrigated was as follows:—

	Number.	Area irrigated.
		ACS.
Canals—		
Government	15,456	3,723,933
Private	1,043	264,180
Tanks—		
Government	301,473	3,216,369
Private	5,268	
Wells—		
Government	6,616	1,442,333
Private	642,606	
Other areas	..	468,940
Total ..		9,115,755

The rotation of crops which is so emphasized in other countries is practised only to a limited extent, for example, cotton alternating with cholam in Coimbatore district, but the principle

involved is not one which is practised to any large extent and the custom of growing, as is done, for example, in the dry taluks of the Kistna district, five crops together on one bit of land with the expectation that if one fails another will succeed is based on the uncertainty of the rainfall in these areas and has nothing whatsoever to do with the rotation of crops.

29. The two factors, namely, the yielding power and the regularity as affecting the value of land are in fact to some considerable extent interdependent. A ryot will not spend so much on cultivating land where the rainfall is precarious and consequently the yield is less while the saleability not only fluctuates in some areas from year to year according to the season but varies with the net yield, there naturally being less demand for bad land than for good. But each of these factors is affected independently in other ways. The net yield obviously varies with the crop which can be grown, the manure put in, the incidental charges including rent or assessment and the cost of marketing. The regularity of the return is determined chiefly by the monsoons but the liability to pests and storm damage, the prevalence of epidemic diseases also affect it. The saleability is affected not merely by the value of the property as an investment—the first two factors determine that matter—but also on the existence of a market. In certain areas land is out of cultivation and is hardly saleable as in the Ceded districts after a few bad years. In others land cannot be sold because combination among the villagers prohibits one of them from buying the land of another and prevents an outsider from bidding for any land or from cultivating it if he is so hardy as to buy it. Such practices are common among the Kallar villages of the south where practically the whole village is inhabited by one community, but this is not a factor ordinarily of importance in the more prosperous areas.

30. In order to ascertain whether the land is cultivated to the best purpose it is necessary to enquire whether the landholder himself cultivates or leaves it to others. Generally speaking ryots in the large zamindaris of the East Coast cultivate their own lands as do the ryots generally in the Deccan and the Central areas. Similarly the small inamdars who still have the personal or service inams left in their possession generally till their own land but in the deltas there are considerable extents of ryotwari land sublet by the absentee ryots, while land held by Brahmans and all trust properties are commonly sublet. We find it difficult, however, to draw a clear line between cultivation by farm-servants and subletting. Subletting is rarely on a money rental. It is commonly on a sharing system, the landlord getting 40 to 60 or even 80 per cent of the yield and the tenant the rest. The tenant commonly goes on from year to year eking out a precarious living on such terms, borrowing from the landlord being supplied by him with seed, cattle and implements. The farm-servant, on the

other hand, uses the landlord's seed, cattle and implements, gets advances in cash from time to time for petty requirements and is paid from the harvest either a lump sum of grain or proportion of the yield. The farm-servant may in some cases be paid a little cash as well as a fixed amount of grain. The tenant may cultivate with his own stock and implements but there is in practice no very clear line between the two, and when the landlord is an absentee it is not always obvious whether the actual cultivator is a farm-labourer or a sub-tenant.

31. The value of the crop is the main factor in determining the value of the land, the ratio of the one to the other depending mainly on the certainty of the crops and as an investment it may be taken that wet lands in the delta yield to 5 to 6 per cent on the sum invested. In the case of paddy the cost of cultivation including coolie charges absorbs roughly half the crop. The three main features in fact which affect the value of land are its net yielding power, the regularity with which it will give that return and its saleability. The other minor factors affecting the value of land are the size of holdings and the extent to which these holdings are fragmented.

32. As regards the size of holdings we have the following statement showing the number of pattas of various values held in the Presidency in fasli 1335. Size of holdings.

Value.	Single pattas.			Joint pattas.				Total number of single and joint pattas.	Total assessment.
	Number of pattas.	Extent of holdings.	Assessment.	Number of pattas.	Number of shareholders	Extent of holdings.	Assessment.		
		ACS.	RS.			ACS.	RS.		RS.
Rupee 1 and less..	615,000	365,000	3,72,000	471,000	1,781,000	238,000	2,65,000	1,086,000	6,37,000
Rupees 10 and less but over Re. 1.	1,890,000	5,414,000	77,68,000	1,047,000	3,383,000	3,584,000	44,77,000	2,937,000	1,22,45,000
Rupees 30 and less but over Rs. 10.	617,000	4,424,000	94,67,000	370,000	1,308,000	3,136,000	57,38,000	987,000	1,52,05,000
Rupees 50 and less but over Rs. 30.	145,000	1,837,000	49,52,000	78,000	300,000	1,167,000	26,21,000	223,000	75,73,000
Rupees 100 and less but over Rs. 50.	83,000	1,727,000	52,12,000	39,000	158,000	897,000	24,50,000	122,000	76,62,000
Rupees 250 and less but over Rs. 100.	33,000	1,331,000	46,28,000	13,000	64,000	631,000	18,59,000	46,000	64,87,000
Rupees 500 and less but over Rs. 250.	7,000	627,000	22,57,000	2,000	12,000	217,000	7,24,000	9,000	29,81,000
Rupees 1,000 and less but over Rs. 500.	2,000	418,000	14,93,000	1,000	4,000	108,000	3,76,000	3,000	18,69,000
Over Rs. 1,000	1,000	460,000	14,89,000	200	2,000	100,000	3,14,000	1,200	18,03,000
Total ..	3,393,000	16,603,000	3,76,38,000	2,021,200	7,012,000	10,078,000	1,88,24,000	54,14,200	5,64,62,000

According to this statement 97 per cent of the pattas pay an assessment of Rs. 50 or less and 74 per cent Rs. 10 or less. The total holdings in the Presidency is 27 million acres both wet and dry together and as this extent pays an assessment of Rs. 56 millions fully assessed land pays on the average Rs. 2 an acre. Seventy-four per cent of the pattas cover holdings to the extent of 36 per cent of the total and have an area of 2·4 acres each on the average and the following statement shows that there has been a distinct tendency in the past 25 years for the size of a holding to diminish :—

Statement showing the numbers and extents of agricultural holdings in the Presidency in faslis 1310, 1325 and 1335.

—	Fasli 1310.		
	Number of pattadars.	Extent of holdings.	Average extent of the share of each pattadar.
(1)	(2)	(3)	(4)
One rupee and less—		ACS.	
Single patta	308,788	254,933	0·83
Joint patta	355,780	79,423	0·22
Total ..	664,568	334,356	0·50
Ten rupees and less but over Re. 1—			
Single patta	1,249,817	4,435,969	3·55
Joint patta	1,756,666	2,199,002	1·25
Total ..	3,006,483	6,634,971	2·21
Over Rs. 10—			
Single patta	675,358	9,255,676	13·70
Joint patta	1,468,473	6,468,605	4·40
Total ..	2,143,831	15,724,281	7·33

—	Fasli 1325.		
	Number of pattadars.	Extent of holdings.	Average extent of the share of each pattadar.
	(5)	(6)	(7)
One rupee and less—		ACS.	
Single patta	405,779	276,367	0·68
Joint patta	893,574	154,641	0·17
Total ..	1,299,353	431,008	0·33
Ten rupees and less but over Re. 1—			
Single patta	1,512,726	4,884,910	3·23
Joint patta	2,462,670	2,907,132	1·18
Total ..	3,975,396	7,792,042	1·96
Over Rs. 10—			
Single patta	819,451	10,960,030	13·37
Joint patta	1,678,599	6,464,735	3·85
Total ..	2,498,050	17,424,765	6·97

Statement showing the numbers and extents of agricultural holdings in the Presidency in faslis 1310, 1325 and 1335—*cont.*

—	Fasli 1335. Number of pattadars. (8)	Extent of holdings. (9)	Average extent of the share of each pattadar. (10)
One rupee and less—		ACS.	
Single patta	615,262	361,658	0·59
Joint patta	1,780,692	237,961	0·13
Total ..	2,395,954	602,619	0·25
Ten rupees and less but over Re. 1—			
Single patta	1,890,396	5,414,095	2·86
Joint patta	3,382,964	3,584,034	1·06
Total ..	5,273,360	8,998,129	1·71
Over Rs. 10—			
Single patta	888,187	10,823,961	12·19
Joint patta	1,848,762	6,255,473	3·38
Total ..	2,736,949	17,079,434	6·24

Fragmentation of holdings.

33. It is impossible to calculate precisely what effect fragmentation has on the value of land but if a piece of land is so small or mis-shapen as it is not practicable to cultivate, e.g., a strip of land 200 yards long and 1 yard wide, its value is very materially reduced; similarly if a ryot has to go to 20 different strips of land in different parts of the village to cultivate 10 acres, his cultivation expenses increase. These conditions, however, do not seem to prevail to any great extent in this Presidency. Holdings undoubtedly are fragmented and there is nothing uncommon about a ryot having half a dozen different plots but it is not the rule and though it is common for a ryot to have three plots it is unusual to have many more and the following statement shows the number of ryots holding different numbers of separate plots in a few villages taken at random and examined:—

Aravathur.		Akkarai Kottagam.		Peruvalandar.		Mannukumundan.		Ranganathapuram.	
Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.
1	13	1	45	1	44	1	24	1	40
3	12	1	26	1	37	2	23	1	39
4	11	1	20	1	34	1	20	1	36
1	10	1	19	2	20	1	19	1	21
1	9	1	15	1	18	1	17	1	20
2	8	4	12	1	14	1	13	1	19
2	7	2	11	1	10	1	14	1	16
1	5	3	10	2	9	2	13	1	13
8	4	8	9	1	7	1	12	1	14

Aravathur.		Akkarai Kottagam.		Peruvalandar.		Mannukumundan.		Ranganathapuram.	
Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.	Number of pattadars.	Number of plots in each patta.
11	3	8	8	4	6	4	11	1	12
20	2	7	7	2	5	1	10	1	12
45	1	9	6	5	4	4	9	2	11
..	..	16	5	13	3	3	8	3	10
..	..	25	4	25	2	5	7	1	9
..	..	26	3	109	1	12	6	6	8
..	..	82	2	..	..	12	5	2	7
..	..	138	1	..	..	26	4	5	6
..	..	..	..	..	..	33	3	8	5
..	..	..	..	..	..	35	2	18	4
..	..	..	..	..	..	309	1	21	3
..	..	..	..	..	..		..	37	2
..	..	..	..	..	..	..	..	97	1

Consolidation of holdings.

34. In this Presidency no case has been brought to our notice where fragmentation has resulted in plots of land being uncultivable. The worst classes of fragmentation are not by the small ryots but by the more well-to-do who have not only succeeded to property but have as occasion presented itself added to that holding in different parts of the village. In many cases the different fragments are cultivated by different sub-tenants for the various bits. When two plots of land are sublet to two different tenants obviously it is immaterial whether they are contiguous or not. On the other hand, ryots oppose consolidation into a single holding of the numerous cases in which ryots hold 2 or 3 plots differently situated in regard to irrigation facilities, particularly when these come under source of different level channels from the same source.

35. The effect of fragmentation is mitigated by certain influences which bring land constantly into the market with the result that there are frequently opportunities for a ryot to buy the adjoining bits of land necessary to improve his holding and the extent to which land is changing hands is shown in the following statement of sales of land registered annually for the last ten years:—

Year.	Sale or exchange of the value of Rs. 100 and upwards.		Sale or exchange of value less than Rs. 100 (sections 54 and 118) of the Transfer of Property Act).	
	Number.	Aggregate value.	Number.	Aggregate value.
		RS.		RS.
1919	443,265	25,76,51,186	206,962	95,75,676
1920	421,422	26,62,55,086	183,137	65,21,260
1921	385,410	24,62,35,367	160,758	75,34,350
1922	418,347	26,88,49,054	160,161	75,34,788
1923	400,491	25,45,46,592	156,026	73,36,480
1924	414,996	26,50,10,615	160,635	74,75,910
1925	424,734	27,33,92,504	162,369	75,83,816
1926	427,593	28,08,69,489	162,209	75,65,903
1927	456,393	30,90,96,918	168,938	78,93,685
1928	473,210	31,83,51,826	171,058	80,08,765

36. In the cases quoted in paragraph 33 which are all in Tanjore district the number of changes necessary to consolidate the holdings of the minority would be very considerable and would involve alterations to the holdings of a very large number of the ryots. There does not appear to be any case for drastic action in this Presidency at present.

Land values.

37. With all these factors the value of land for cultivation varies from practically nothing to 5 or 6 thousand rupees per acre. In the rich deltas single crop wet land (paddy cultivation, ryotwari) runs ordinarily from Rs. 500 to Rs. 1,000 an acre; double crop land runs to Rs. 2,000 and in a few places even to Rs. 4,000 or Rs. 5,000; treble crop is of course rather more valuable but there is not a great deal of it. It is impossible to give any reliable statement of the values of such lands in zamindaries but they are generally much lower than ryotwari lands. Wet lands elsewhere are generally slightly lower in value but unless the water-supply is unusually precarious it will not fall below Rs. 300 an acre. Lands on which only dry food grains are grown vary according to the season but provided there is a demand for such lands and no great extent is on the market Rs. 100 or Rs. 200 can ordinarily be expected. When the rainfall is more precarious the value is less. Good cotton or groundnut land will, however, give a better yield and command prices comparable with those of wet lands.

38. The value of agricultural land varies greatly and the value of stock varies to an equal extent. If the ryot borrows for his cultivation expenses he also borrows for the purchase of cattle, and unfortunately a ryot seldom grows a fodder crop and the deltas are so fully cultivated that there is no place for cattle to graze. After the crop is harvested there is a little grazing on the stubble and weeds but in the hot weather a large number of cattle are sent from the bare lands to the forest areas further inland; consequently there is a great deal of selling cattle after the cultivation season is finished and of purchasing fresh cattle when cultivation is about to begin. This adds another item of expenditure in the borrowing season.

CHAPTER III.

General Description of Existing Credit Agencies.

39. In this chapter we give a general description of the existing credit agencies *seriatim*.

Imperial Bank of India.

It does not appear necessary to give a long description of the Imperial Bank of India, which was formed by the Imperial Bank of India Act, 1920, by amalgamating the three Presidency banks. Besides the head office in Madras there are in this Presidency 32 branches, a sub-agency at Conjeeveram and out-agencies at Tenali and Palakole.

The Imperial Bank is barred from lending on immovable property or on its own shares and may not lend for a longer period than six months. It is forbidden to deal in exchange and a limit is

put by the Act on its power to discount bills. It does the business of banker for the Government and runs the treasuries and public debt office.

It derives its funds from its capital and reserves and from Government surpluses in the treasuries which are at its disposal up to certain limits on a sliding scale of interest rates.

It receives deposits of trust funds and local board balances as well as other fixed and savings bank deposits and current accounts.

It grants loans on produce, gold, Government and joint stock securities of all kinds including debenture bonds, documents of title to goods in warehouses or transit and on pro-notes of two or more independent persons or firms. On such securities it also grants overdrafts and carries in this way a considerable amount of the fluid resources of other banks. As agent it will buy and realize securities on behalf of clients and receive goods into safe custody. It discounts and re-discounts bills of exchange and hundis.

Joint Stock Banks.

40. According to the lists supplied by the Registrar of Joint Stock Companies there were in operation on 31st March 1929, 66 joint stock companies classified as banks and these include a few nidhis.

Serial number.	Year of registration.	Name.	Authorized capital.	Capital subscribed.	Capital paid-up.	District.
			RS.	RS.	RS.	
1	1927	Adi-Dravida Kashta Nivarti Company, Limited	50,000	2,000	..	Tinnevelly.
2	1923	Andhra Bank, Limited	10,00,000	1,01,000	1,01,000	Kistna.
3	1920	Bharata Bank, Limited	50,000	26,920	21,186	Calicut.
4	1908	Calicut Bank, Limited	5,00,000	2,15,220	2,15,220	Do.
5	1925	Kanara Industrial and Banking Syndicate, Limited	1,00,000	59,200	11,630	South Kanara.
6	1918	Cannanore Bank, Limited	2,00,000	1,53,950	1,35,375	Tellicherry.
7	1925	Catholic Bank, Limited	1,00,000	69,000	34,000	South Kanara.
8	1906	Chalapuram Bank, Limited	40,000	40,000	36,860	Calicut.
9	1920	Chirakkal Ravivarma Elayaraja Bank, Limited	1,00,000	46,220	31,381	Tellicherry.
10	1928	Chowghat Christian Bank, Limited	20,000	12,250	4,900	Palghat.
11	1929	Cosmopolitan Bank, Limited	1,00,000	10,150	10,150	Coimbatore.
12	1927	Edathurithi Bank, Limited	50,000	42,500	6,643	Palghat.
13	1922	Enamavu Catholic Syrian Bank, Limited	1,00,000	36,500	20,225	Do.
14	1904	Ilanji Bank, Limited	1,00,000	97,700	49,020	Tinnevelly.
15	1907	Indian Bank, Limited	60,00,000	47,92,800	12,79,280	Madras.
16	1923	Jayalakshmi Bank, Limited	1,00,000	74,400	55,795	South Kanara.
17	1925	Kadathanad Bank, Limited	1,00,000	7,530	2,277	Tellicherry.
18	1923	Kalpathi Patasala Bank, Limited	90,000	22,230	9,341	Palghat.
19	1928	Kalpatta Bank, Limited	1,00,000	46,000	20,270	Calicut.
20	1906	Kanara Bank, Limited	3,00,000	3,00,000	3,00,000	South Kanara.
21	1906	Kanara Banking Corporation, Limited	3,50,000	2,25,000	2,20,870	Do.
22	1920	Kanara Enterprise, Limited	2,00,000	34,550	22,745	Do.
23	1924	Karnataka Bank, Limited	5,00,000	71,865	71,715	Do.
24	1928	Kavalappara Bank, Limited	1,00,000	40,000	12,000	Palghat.
25	1919	Kerala Bank, Limited	1,00,000	67,500	62,790	Calicut.
26	1921	Kottayam Bank, Limited	1,00,000	26,100	19,452	Tellicherry.
27	1925	Kumarachalam Bros , Limited	25,000	7,525	5,346	Palghat.

Serial number.	Year of registration.	Name.	Authorized capital.	Capital subscribed.	Capital paid-up.	District.
			RS.	RS.	RS.	
28	1926	Lakshmi Vilas Bank, Limited	1,00,000	75,000	75,000	Trichinopoly.
29	1921	Maharashtra Nidhi, Limited	1,00,000	10,340	4,975	Madras.
30	1919	Merchants Bank, Limited	2,00,000	1,58,600	1,58,600	Tanjore.
31	1921	Nadar Bank, Limited	20,00,000	4,89,460	2,37,878	Tuticorin.
32	1920	Nambudiri Bank, Limited	5,00,000	2,71,300	2,65,820	Palghat.
33	1917	Nayar Bank, Limited	2,00,000	94,700	82,590	Do.
34	1913	Nedungadi Bank, Limited	50,00,000	22,25,100	13,85,055	Calicut.
35	1925	New Star Bank, Limited	1,00,000	16,025	5,478	Madras.
36	1885	Oriental Benefit and Deposit Society, Limited	50,000	50,000	50,000	Do.
37	1925	Palghat Town Bank, Limited	50,000	8,125	5,705	Palghat.
38	1920	Pangal Nayak Bank, Limited	2,00,000	1,57,400	1,57,400	South Kanara.
39	1929	Popular Bank, Limited	50,000	45,000	4,500	Palghat.
40	1927	Ramanathapuram, Madurai, Tinnevelly Zilla Ezhaikalin Kashta Nivarthi Company, Limited.	1,00,000	4,975	3,680	Ramnad.
41	1923	Ramanatkara Bank, Limited	50,000	4,475	2,500	Calicut.
42	1925	Salem Bank, Limited	20,000	10,000	5,000	Salem.
43	1928	Salem Sourashtra Bank, Limited	70,000	65,400	65,400	Do.
44	1922	Saraswathi Bank, Limited	2,00,000	30,850	30,850	Tinnevelly.
45	1920	Senguntbar Bank, Limited	1,50,000	1,18,000	53,600	Do.
46	1903	South Indian Bank, Limited	3,00,000	3,00,000	3,00,000	Do.
47	1922	Sri Rajgopal Bank, Limited	4,00,000	1,17,350	95,625	Palamcottah.
48	1909	Sri Sitarama Mercantile Bank, Limited	4,00,000	33,072	27,508	Kurnool
49	1924	Swarnavalli Bank, Limited	1,00,000	34,710	32,970	Madura.
50	1923	Taliparamba Bank, Limited	1,00,000	26,400	16,289	Tellicherry.
51	1914	Tellicherry Bank, Limited	2,00,000	1,20,725	78,851	Do.
52	1927	The Inthia Vaniga Vysia Bank, Limited	20,000	5,960	5,960	Ramnad.
53	1924	Thoyakkavu Bank, Limited	30,000	25,570	20,205	Palghat.
54	1896	Tinnevelly Bank, Limited	2,00,000	1,87,200	1,82,102	Tinnevelly.
55	1919	Tiruvannore Bank, Limited	1,00,000	54,600	44,475	Calicut.
56	1909	Tiruvateeswarar Hindu Janopakara Nidhi, Limited	20,000	20,000	20,000	Madras.

Serial number.	Year of registration.	Name.	Authorized capital.	Capital subscribed.	Capital paid-up.	District.
			RS.	RS.	RS.	
57	1926	Triplicane Fund, Limited	2,00,000	90,000	44,290	Madras.
58	1925	Udipi Bank, Limited	2,00,000	70,050	40,130	South Kanara.
59	1908	Union Bank, Limited	2,00,000	2,00,000	1,00,000	Kumbakonam.
60	1924	Union Bank, Malabar, Limited	1,00,000	41,475	24,265	Palghat.
61	1922	Uthara Kerala Bank, Limited	50,000	15,770	14,354	Tellicherry.
62	1921	V.G. Industrial and Banking Company, Limited	50,000	32,190	20,118	Do.
63	1915	Valapad Bank, Limited	50,000	40,070	40,070	Palghat.
64	1921	Variar Bank, Limited	1,00,000	57,900	44,160	Do.
65	1920	Viswakarma Bank, Limited	20,000	6,150	3,998	Tellicherry.
66	1921	Wynaad Bank, Limited	50,000	12,265	12,265	Do.
		Total ..	2,35,05,000	1,19,54,317	65,21,137	

Of these we have received the balance sheets of 16 and these show:—

Serial number.	Name.	Paid-up share capital.	Deposits.	Reserve fund.	Dividend paid for 1928-29.
		RS.	RS.	RS.	PER CENT.
1	Andhra Bank, Limited ..	1,01,000	4,15,094	5,462	12
2	Calicut Bank, Limited ..	2,25,040	21,58,289	67,500	10
3	Cannanore Bank, Limited ..	1,37,525	4,87,654	67,000	10
4	Edathuruthi Bank, Limited ..	9,207	24,820	75	..
5	Indian Bank, Limited	12,79,280	1,86,62,401	10,50,000	12
6	Jayalakshmi Bank, Limited ..	58,815	4,75,330	17,524	8
7	Kanara Bank, Limited ..	3,00,000	46,66,715	2,85,000	12 and 4
8	Nadar Bank, Limited.. ..	2,52,462	4,25,937	3,625	7½
9	Nedungadi Bank, Limited ..	14,50,680	64,63,118	4,04,723	..
10	Oriental Benefit and Deposit Society, Limited.	50,000	1,17,700	18,145	8½
11	Ramanatkara Bank, Limited ..	2,500	12	..	Loss.
12	Tellicherry Bank, Limited	79,818	1,56,454	13,000	10
13	Salem Sourashtra Bank, Limited.	68,050	21,309	750	..
14	Tiruvateeswarar Hindu Janopakara Nidhi, Limited.	20,000	4,07,246	10,500	35
15	Triplicane Fund, Limited ..	46,450	2,61,718	400	4½
16	Variar Bank, Limited ..	44,985	2,84,960	10,000	9
	Total ..	41,25,812	3,50,08,757	19,53,704	..

It will be observed that of the 66 banks 11 have a paid-up capital between 7 and 5 lakhs while of the remaining 52 with less than 1 lakh each, 14 have a paid-up share capital of less than Rs. 10,000.

41. The Andhra Bank's professed objects are to facilitate the movement of merchandise by establishing business connections throughout India and by discounting bills and hundis. It sells drafts on Bombay, Calcutta and Madras and procures sterling drafts. It grants loans and overdrafts on all approved securities and acts as agent for constituents for purchase and sale of securities, etc.

42. The Calicut Bank has ten branches on the West Coast and one at Ootacamund. It was started mainly to provide banking facilities for the Thiya community. It gives loans on gold, pro-notes, land, piecegoods, and on bills, hundis and overdrafts but only Rs. 1·38 lakhs out of 23·55 were lent on land.

43. The Cannanore Bank, Limited, has never paid less than 10 per cent and has invested its reserves in immovable property. It grants loans on pro-notes, fixed deposits, the Bank's own shares, produce, immovable property and hundis.

44. The Jayalakshmi Bank, Limited, does all kinds of banking business, but the bulk of its loans are on jewellery at 9 per cent and it also lends on joint loans at 10 per cent. It has also invested Rs. 60,000 in other banks, Rs. 8,000 in post office cash certificates and Rs. 19,300 in other Government securities.

45. The Indian Bank, Limited, was started to provide facilities for Indian bankers, merchants and manufacturers and to provide a

safe investment for people of the middle class. It has three branches in Madras City and five in the mufassal and six other sub-offices in the mufassal. It has invested—

	Lakhs.
	RS.
In Government securities and Municipal debentures.	30·96
Short-term deposits in other banks	14·00

It has usually paid 10 per cent annually since 1920. It gives loans up to three months on Government paper, jewellery, goods and other approved securities and discounts bills and hundis and gives overdrafts to approved constituents.

46. The Kanara Bank, Limited, was started to help small traders by small loans at not more than 10 per cent and has now ten branches at which it gives loans at 1 or 2 per cent over the head office rate. Its 50 shares are quoted at 120 and has an investment of 7·77 lakhs in Government paper. Its loans to traders are mostly on bills of exchange, pro-notes, overdrafts and goods, but loans are also given on jewels and fixed deposits at 6 to 10 per cent and where goods are not pledged, one or more sureties are required. There are about 2 lakhs now outstanding on immovable property. Ordinarily it borrows by current and savings bank accounts and by short notice and season deposits. It lends ordinarily up to one year but on land mortgage it goes to two years. It paid 15 per cent in 1923 and 16 per cent annually since then.

47. The Nadar Bank, Limited, was started to help the Nadar community in Tinnevelly district. It borrows by current and savings bank accounts and by fixed deposits. Loans are granted on joint pro-notes of two or more persons and on Government and other securities including produce.

48. The Oriental Benefit and Deposit Society, Limited, takes fixed deposits and lends chiefly on jewels (Rs. 1,12,000) and on houst property (Rs. 35,000).

49. The Tiruvateeswarar Hindu Janopakara Nidhi, Limited, paid 35 per cent last year and does not repay the value of share capital. It receives current and savings deposits and pays 7½ per cent on current account but these so-called current deposits can only be drawn on by the depositor in whose name they stand, that is, they cannot be operated on by a negotiable cheque and they can only be withdrawn as funds become available, i.e., there is no guarantee that a cheque will be honoured at once and no refunds exceeding Rs. 100 will be made during the first 7 days of a month. This type of deposit is more generally known as a savings bank deposit. While the deposits which the bank describes as savings deposits are deposits paid in monthly instalments for 45 months and Rs. 100 is then repaid for every Rs. 90 so deposited. Loans are granted on jewels, Government securities, immovable property, the nidhi's own share and on deposit accounts.

50. The Triplicane Fund, Limited, does most of its business on house property in Madras City and most of its loans are for 12 years much more than the seven years for which nidhis commonly give loans. The borrower pays at 6¼ per cent per annum and also pays in fixed monthly instalments into an amortization fund and is allowed 6¼ per cent per annum on this. The fund also gives loans on jewels and deposits in the bank.

51. The Nedungadi Bank has 16 branches, 13 on the West-Coast and the other 3 at Madras, Pollachi and Coimbatore. It lends on gold, bills of exchange and receives current and savings bank accounts and fixed deposits. It transmits money by draft and to some extent finances exports and imports. It has Rs. 10 lakhs in Government paper and Rs. 7 lakhs in fixed deposits in other banks. Its advances on 31st December 1929 were:—

	RS.
On lands and buildings	9,10,000
,, gold	29,69,000
,, goods, etc.	7,33,000
,, personal security	15,19,000
,, bills discounted	5,43,000
Total ...	66,74,000

52. The principal Exchange Banks operating in this Presidency are:— Exchange Banks.

(1) The Chartered Bank of India, Australia and China.
(2) The National Bank of India.
(3) The Mercantile Bank of India.
(4) The P. & O. Banking Corporation.
(5) The Eastern Bank.

We have no information of the extent of their business in Madras Presidency. The Chartered Bank does business in the Straits and the Far East as well as in India, but has no office in Australia. We understand that this is due to local opposition in Australia. It now has obtained control of the P. & O. Bank by purchase of more than half of the shares of that concern but the P. & O. Bank continues, as does the Allahabad Bank of which it previously obtained control, to trade on its own account; it has not been absorbed by the Chartered Bank. The effect is however that banks with a paid-up capital of £5,777,000 and reserves of £4,440,000 and total resources of £72,582,700 came under a single control.

53. The National Bank of India started as the Calcutta Banking Corporation in 1863 and shifted its head office to London in 1866 after adopting the present name. It has numerous branches throughout India as well as ten in East Africa.

54. The Mercantile Bank of India was formed from the Chartered Bank of India, London and China, and adopted its present name in 1893. It has branches in India, Ceylon, China and the Straits as well as an office in New York.

55. The Eastern Bank was founded in 1910 and has branches in Calcutta, Bombay, Madras, Colombo and Mesopotamia.

56. The P. & O. Banking Corporation was founded in 1921 and is connected with the P. & O. Steam Navigation Company, British India Steam Navigation Company and Orient Lines and grants letters of credit to passengers who can cash them on any of their vessels.

Method and volume of business.

57. The principal business of these banks is the finance of foreign trade. They receive local deposits, discount bills and lend on shipping and other documents and import bullion but they play a very little part in inland trade. The extent of their business is for the year ending 31st December 1926 as follows:—

—	Chartered Bank.	National Bank.	Mercantitle Bank.	P. & O. Bank.
	£	£	£	£
Paid-up capital	3,000,000	2,000,000	1,050,000	..
Reserve fund	4,000,000	2,900,000	1,385,000	20,000
Deposits	50,067,105	31,973,704	14,957,987	..
Net profit	778,576	534,315	235,782	125,947
Other funds	125,000	..	35,000	..
Written off house property ..	40,000	30,000	35,000	..
Dividend	607,500	400,000	..	105,609
Rate per cent	20	20	16	5
Carried forward	215,354	255,401	160,666	19,380

Private (joint-stock) banks—Bank of Chettinad.

58. There is only one private bank in the Presidency, viz., the Bank of Chettinad, Limited, registered as such under the Companies Act and it has only recently been registered. It is a limited company formed for carrying on the business of banking and also all other lines of business which Nattukottai Chettiyars have been accustomed to do in India, Burma, Ceylon, the Straits Settlements, Federated Malay States, Indo-China, etc., with a subscribed capital of Rs. 2 crores and a paid-up capital of Rs. 1 crore. The head office of the bank is in Chettinad. It was promoted by the Hon'ble the Raja Sir Annamalai Chettiyar of Chettinad, who is the Chairman of the Board of Directors. It has already established about 40 branches in India, Burma and Ceylon. Weekly returns and periodical reports are sent by the branches in order to secure efficiency and uniformity in the system of business. Among the items of business now transacted are receiving current and fixed deposits, advancing money to agriculturists, planters, traders and merchants, besides advances on produce, allowing cash credits and overdrafts, discounting bills and hundis and remitting of money from one place to another within India, Burma, Ceylon and the Federated Malay States. The other items of banking business usually carried on by the modern joint stock banks, i.e., making advances against Bills

of Lading and other mercantile documents relating to foreign trade and dealing in foreign exchange will in due course be undertaken. The bank is not promoted to function as a competitor to any one of the other joint-stock banks but to carry on the indigenous system of banking under modern lines. The object of the promoter of the bank is to adapt the indigenous system of conducting banking business as far as possible to the joint-stock system of banking on western lines, to divert the lines of management on up-to-date and right channels, and vest the management and control and direction in the hands of skilled experts in the community to infuse greater public confidence, to avoid evils incidental to individual ownership and management and to establish the enormous advantages resulting from a proper periodical audit on up-to-date lines.

59. The indigenous bankers in this Presidency must include the banking communities of Marwaris, Multanis, Nattukottai Chettiyars and Kallidaikuruchi Brahmans. They grant loans primarily on personal credit generally at higher rates of interest than the large joint-stock banks and at the same time take larger risks relying more on their personal knowledge of their clients and their clients' business than on pledged securities for trade loans. They deal in hundis to a very large extent and finance a great deal of the internal movement of goods. Indigenous bankers.

60. The Nattukkottai Chettiyars have their home in the Chettinad in 58 villages in the Ramnad district of this Presidency and 20 in the adjacent territory of Pudukkottai State and their total population according to the census of 1921 is 40,500. The caste is divided into 25 gotrams and the married couple is the unit on which tax is levied for the maintenance of the nine temples at the head of the nine nagarams. An asthivari or property tax is also occasionally levied for the same purpose. Their business methods are handed down by the long apprenticeship which the sons pass through. Their account keeping is full and precise, the double entry system being generally adopted. It is customary for the Chettiyar bankers who have branches to appoint an agent to be in charge of each branch for three years who is paid a salary and a bonus on profits. An account is kept with him and a few months before his term expires his successor is sent to take charge of the outgoing agent's outstandings at a valuation. On relief, the agent returns to the Chettinad, settles accounts and after such rest as he thinks proper seeks re-employment. In the course of time the agent may put together sufficient fortune to start in business on his own account. The Chettiyars trade with their own capital and also take deposits both as current deposits and time deposits, but many practices are peculiar to themselves. The current accounts are kept at a rate fixed monthly in Madras as the Nadappu rate but the Chettiyar banker keeps no fluid resource. As a consequence, he is dependent on his cash credits with other banks and on current accounts with other Chettiyar firms and on repayments to him to Nattukkotta Chettiyars

meet demands for withdrawal and consequently any procrastination and obstruction of his clients makes it difficult to meet demands on him while the public banks are chary in giving him accommodation. For these reasons Chettiyars do not now take so much deposits. The other deposits taken are under the thavanai deposit system whereby a deposit is repayable after a definite thavanai or rest period and if the return is not demanded interest is added after each rest period.

Methods of business.

61. They do business in general money-lending, financing small local money-lenders who lend to ryots, small tradesmen in the towns, and wholesale merchants. Transmission of money is made by hundis and loans both for long and short periods are given. In this way they finance cotton gins, rice mills and such like industries.

Multanis.

62. The Multanis are another ancient community of bankers and shroffs. Their headquarters are at Shikarpur in Sind but their activities spread over a great deal of this Presidency as well as presumably other parts of India. They have as a community amassed very considerable wealth which is available for deposit in the various firms at their headquarters. A great deal of their business is done through hundis for the finance of internal trade, the transmission of money and indirectly agriculture.

Marwaris.

63. The Marwaris are a somewhat similar community to the Multanis. Their headquarters are in Rajputana and their operations extend as bankers and money-lenders over a great deal of this Presidency.

Kallidaikurichi Brahmans.

64. The Kallidaikurichi Brahmans are a comparatively small community with their headquarters at Kallidaikurichi in the Tinnevelly district. Their banking and money-lending activities extend principally over Tinnevelly, Madura and Ramnad districts and to a less extent over other districts in the south of the peninsula.

Money-lenders.

65. The money-lenders of the Presidency are to be found everywhere, but in a great number of cases they have other occupations in addition to lending money. The ryots themselves form the biggest community of lenders but of the professional money-lenders the bulk are also petty merchants and on the other hand most merchants give advances to the ryots so that the crops grown may pass through their hands. These money-lenders are of many classes: the Vaisyas in the Telugu and Tamil districts are generally money-lenders as are the smaller Nattukkottai Chettiyars and Marwaris. The Labbais in the Circars and in the Tamil districts are generally merchants as for example the Labbai merchants at Mettupalayam who at one time had control of the bulk of the potato crop grown by the Badagas of the Nilgiris. In Malabar much money-lending is done by the Mappilla traders but the money-lending is not in the hands of one class any more than is trade. The small merchants and dallals are quite accustomed to lend money to ryots for cultivation and to the artisans to produce his

wares. The master-weaver gives loans to the men he employs and there is anywhere a system of advances in cash or supply of dye, yarn, materials on credit on terms of repayment in kind and the evil lies in the fact that the bargains are one-sided, the borrower being poorer, less educated, less able to protect his own interests.

Co-operative banks and societies.

66. The co-operative financing organization in Madras consists of an Apex Provincial Bank, "The Madras Central Urban Bank" commonly known as the M.C.U.B., which obtains fund by fixed deposits, current accounts, and to a small extent by debentures on its general assets. It holds a considerable sum in Government paper and is the depository for the reserve funds of the District Central Banks. Of these there are 31. Their functions are to obtain funds for the finance of co-operative credit societies when these are unable to raise their own funds. The Central Banks borrow from the general public in the form of deposits and current accounts, and from the Madras Central Urban Bank in loans that run to six years. They receive the reserve fund and other surplus funds of the financing co-operative credit societies. The credit societies are of two main types, rural on unlimited liability financing the ryot, certainly lending money to him according to his demands and urban on liability limited to subscribed share capital lending money to professional men, artisans, tradesmen, and all such persons of limited means as can persuade such societies to give them loans.

67. In all such cases the management is by an elected panchayat and the borrowing power is fixed under the by-laws in the case of rural societies on the basis of the total property of the members to an extent arbitrarily fixed but not exceeding one-eighth of that total, and in the case of urban societies to a proportion of subscribed capital plus reserve fund, never exceeding eight times and in practice rarely exceeding four times that total.

68. The management of the Central Banks is in the hands of a mixed board approximating 14 from the primary societies which are financed and contribute a majority of the share capital and 7 from the individuals who are also shareholders in all such banks. The Madras Central Urban Bank similarly is in the hands of a board elected by and from representatives of District Central Banks and individual shareholders. In the Madras Central Urban Bank and the District Banks there is an executive committee appointed from the larger Board of Directors. The interests of depositors are protected by a number of measures.

(*a*) Supervising unions have been organized to see that village societies conduct their affairs properly. They are groups of about 25 societies managed by an elected committee. Their efficiency varies, in the best the societies pay up practically the whole of their dues to the central bank, in the worst the overdues are very heavy.

(*b*) Over the Unions a system of district federation is being developed managed by a committee including representatives of the Unions, the Central Bank and one or two other co-operators from outside of these bodies.

(*c*) Central Banks run themselves in some cases a few inspectors who go round to keep the Central Banks informed of the state of affairs in societies.

(*d*) All societies are audited by a Government staff of auditors under the Registrar of Co-operative Societies with the exception that a few banks employ with the approval of the Registrar of Co-operative Societies private auditors and a few more have auditors of their own run by Audit Unions but even then several of them are departmental auditors lent to the Unions.

(*e*) The departmental officers are constantly moving about among the societies they inspect and to a limited extent supervise them.

Land mortgage banks.

69. A further credit organization is now being developed in the shape of land mortgage banks. These are under the Co-operative Societies Act but are not connected with the main Co-operative Financial Agency. Local land mortgage banks were formed covering roughly a five-mile radius to lend money on the mortgage of land and on the security of such mortgages to float debentures with the concurrence of a trustee (acting for debenture-holders) to whom the mortgages were transferred. All such local banks have now been combined into a newly formed central land mortgage bank to which all mortgages will be transferred and debentures will then be offered to the public with a floating charge on all such mortgage backed by a Government guarantee of interest for 25 years.

Post offices.

70. Post offices do not appear to call for any special description.

Government.

71. The Government as a credit agency operates in several spheres:—

(*i*) Takavi loans are given to agriculturists for agriculture, land improvement, etc.

(*ii*) Loans under the State-aid to Industries Act with the advice of a Board of Industries for the purpose of giving assistance to nascent and other industries.

(*iii*) They have bought debentures in land mortgage banks and so facilitate their work.

(*iv*) They grant loans for the construction of godowns by co-operative loan and sale societies to a limit of half the amount spent and of Rs. 2,500 in each case.

(*v*) They have advanced loans for the construction of wells by co-operative societies for irrigation purposes.

(*vi*) They have guaranteed certain cattle insurance societies against loss up to a certain maximum but as these societies have not done any insurance this provision has been inoperative.

72. In the middle of last century, about 1850 a "Sudder Court Fund" was started open only to officials in Madras as they found themselves being ruined by the usurious rates of money-lenders and decided to start a fund of their own which would enable persons with a fixed income an opportunity to borrow at reasonable rates. The fund was modelled on the English Building Society though no specific reason is now traceable for adopting that particular model. The first Fund was a terminating one, all members promising to subscribe for 84 months when the Fund would be wound up and every member would receive Rs. 102½ for each Re. 1 subscribed. From the monthly collections loans were given to members at 6¼ per cent interest with penalties for delay. The cost of establishment was met from the penalties and from the commission. Branches were started and it was decided to make them permanent. Others, copying the original, sprang up, some auctioning loans to the bidder who offered the greatest discount, others charged high rates—10 to 15 per cent on their loans. But in 1872 it was discovered that the societies were illegal not having been registered under the Companies Act, which, we are informed, was at that time unknown though it had been enacted some time previously. As a result many collapsed, debtors did not pay as the Funds could not go to court and a number of Funds went into liquidation with losses which were estimated at Rs. 20 lakhs. Other agencies—Nidhis.

73. During the next 20 years many fraudulent societies were started, only to disappear after a short hectic career in which only the promoters benefited and in the five years ending 1892 as many as 260 nidhis failed but these seem to have disappeared almost entirely and the nidhis of to-day have on the whole been working on better lines.

74. The objects of the nidhis are described as the facilitation of savings, the relief of members from old debts, deliverance from usury and accumulation of a fund for special loans and for loans for all purposes, e.g., ceremonials, maintenance, purchase of jewels, house-building, on good security, primarily to members, but in some cases, if there is a surplus, to outsiders and 'an unexpressed object is also the provision of salaries on profits for the promoters, directors and officers.' The receipt of deposits was not usually a primary object, the funds being raised chiefly by subscriptions to 'Share capital.' They were in fact less banks than mutual loan societies. Nicholson has in his report grouped together chit funds and nidhis. They should, however, be regarded as quite distinct and they have a definitely different origin. The nidhis or funds have had a definite gravitation towards the permanent bank receiving deposits and making loans while the chit or chit fund has remained an association in which members subscribe and lend the subscription among themselves, though surplus cash may be lent out as temporary investments at the discretion of the promoters. Objects of nidhis.

75. The characteristic of the nidhi was a terminating society of members who contributed monthly an amount which was available Characteristics of nidhis.

for loans to members. The terminating character has in general disappeared. In some also the monthly subscription to share capital has been replaced by a recurring deposit and a fixed small share capital which may or may not be withdrawn and while some grant loans within share capital held, others have given up their practices. Lending rates are generally low but there are commonly high penal rates payable on overdue amounts, and much of the profits arise from this source of income. This applies to the nidhis of the original type; but those, which have developed further as in Coimbatore, have given up the practices of borrowing and lending at the same rate. These lend at higher rates and 12 to 15 per cent are not unusual rates among them.

Chit funds.

76. A very old method of raising money is to be found chiefly in the south and south-west districts and to a lesser extent throughout the Presidency in the innumerable chits or chit funds, or, as they are known in Malabar, kuries. They are very numerous in Travancore State and in the adjoining districts of Malabar and Tinnevelly. There are many in Coimbatore and South Kanara though they are not so universal as in Malabar and there are numbers in all Tamil districts but the farther one goes from Travancore the fewer they become. There are comparatively few in the Telugu districts.

77. The system in outline is that a certain individual gets together a number of acquaintances and they undertake to make periodic payments to him for a specific period. At each period the amount so collected is given to one of the members of the chit. There is scope for great variety in the manner in which the member to be given the amount each time is decided on and the amount which he is to receive, and in practice there are very many different kinds of chits, some differing widely in their practice, others involving only minor variations. Similarly there is a great variety in the method by which the promoter reaps his reward. There are in the main two principal branches; one is the auction chit in which the periodic collection is put up to a Dutch auction, the member who offers the biggest discount getting that amount while in prize chits, the amount or more commonly, a fixed sum or prize is drawn for by lot. The discount or the balance of collection after the payment has been made to the one member is either distributed at once among all the other members or is lent out at interest and allowed to accumulate to the end. The former is common with auction chits, the latter with prize chits, particularly those in which there is a larger number of members than there are instalments, and each member who has not drawn a prize gets his money back with or without any share of the profits that may have accrued from trading.

78. The promoter gets his reward usually, almost invariably, by getting the first instalment in full without discount. He then shares with the others in profits that accrue from the discount bids

or from lending out balances pending distribution. He may get other ' pickings '.

79. In a very large number of cases, chits are organized by a person in need of such accommodation as a simple way of getting a loan on easier terms than he can procure from elsewhere. His success depends on his credit locally and his power to persuade others to make periodic contribution to him. Numerous abuses have been brought to light but no method of controlling them has yet been brought into use and though an Act for the purpose was passed in Travancore we have no information of its efficacy.

80. A more detailed account of these chits will be found under Chapter XIV.

CHAPTER IV.

INDEBTEDNESS.

Sources of information.

81. It has been quite impossible in the time at our disposal to make so complete an examination of the facts and problems involved in this Chapter as their importance demands. We have been able, however, to arrive at certain statements of debt from which it may be possible to deduce approximations of the total figures. The sources from which we have got information are:—

- (i) Sir Frederick Nicholson's Report;
- (ii) Statement of mortgage and pro-note debts registered by the Registration Department;
- (iii) Investigations made by a Tahsildar of each district into the outstanding debts in two or three villages in his jurisdiction; and
- (iv) Finally the detailed investigation in a dozen villages made by Investigating Officers attached to this Committee.

The debts outstanding at any particular time must be classified in the first place into two main heads. Firstly, there is a considerable amount of debt which is taken for cultivation and other short-term purposes, the bulk of which will be liquidated at or after harvest. Any part of that debt remaining unpaid will then largely be converted into mortgage or pro-note debt of a more lasting nature. The other main item of debt must be regarded as subsisting or long-term debt which will only be repaid over a period.

82. The annual repayments, however, do not go exclusively for the repayment of the short-term debt and the interest on it; a material amount of annual payments must go to the payment of interest on the long-term debt. It is not suggested that the ryot himself differentiates between the long- and short-term debts or that he pays interest and principal separately; he actually pays at the harvest or at other odd times what he is obliged to pay from such resources as come to him but it is useful to make the distinction to show to what extent the outstanding debt fluctuates.

83. The value of mortgages in 1891 was on Sir Frederick Nicholson's calculation Rs. 6½ crores and to arrive at the outstanding mortgage debt at any time he has shown excellent reasons for multiplying the year's mortgages by 3. The same figure was arrived at by Mr. Darling in the Punjab and we have attempted to find what is the correct figure.

Duration of mortgages.

84. First of all 2,376 documents relating to 30 villages registered in Srimushnam Sub-Registrar's Office were examined. These were classified according to the period for which they were to run as shown in the document itself and the result is as follows:—

Classification of 2,376 documents relating to 30 villages registered in Srimushnam Sub-Registrar's office during the years 1924—29 (according to duration).

Period in years.	1924.				1925.			
	Simple.		Usufructuary.		Simple.		Usufructuary.	
	Number.	Value.	Number.	Value.	Number.	Value.	Number.	Value.
		RS.		RS.		RS.		RS.
One year and less ..	15	4,816	16	3,227	17	7,581	6	800
Years 1 to 2 ..	18	7,538	16	1,647	14	3,360	17	2,172
„ 2 to 3 ..	61	16,868	20	3,215	23	7,272	32	5,879
„ 3 to 4 ..	..	..	..	..	12	11,859	7	571
„ 4 to 5 ..	12	9,955	3	1,185	16	9,780	4	1,050
„ 5 to 6 ..	1	50	1	250	..	..	..	..
„ 6 to 7 ..	..	..	1	150	..	..	2	350
„ 7 to 8 ..	.	..	..	..	1	14	..	..
„ 9 to 10 ..	..	..	..	..	..	..	..	..
„ 10 to 11 ..	..	..	..	..	..	..	1	150
„ 11 to 12 ..	1	28	..	..	..	..	..	..
„ 14 to 15 ..	..	..	..	..	..	..	..	..
No term	152	36,582	73	9,443	167	40,269	89	15,126
Total ..	260	75,837	130	19,117	250	80,135	158	26,098

Period in years.	1926.				1927.			
	Simple.		Usufructuary.		Simple.		Usufructuary.	
	Number.	Value.	Number.	Value.	Number.	Value.	Number.	Value.
		RS.		RS.		RS.		RS.
One year and less ..	19	4,696	9	1,251	15	3,948	4	422
Years 1 to 2 ..	23	5,644	17	1,982	14	3,723	15	2,410
,, 2 to 3 ..	28	13,918	38	6,106	22	3,506	27	3,236
,, 3 to 4 ..	6	1,546	2	113	5	1,360	5	1,046
,, 4 to 5 ..	11	2,400	2	550	24	5,725	6	1,230
,, 5 to 6 ..	..	..	..	..	3	610	1	135
,, 6 to 7 ..	..	..	..	..	..	..	1	100
,, 7 to 8 ..	..	..	..	..	..	..	..	..
,, 9 to 10 ..	..	..	1	50	2	160	..	..
,, 10 to 11 ..	..	..	..	..	..	..	..	..
,, 11 to 12 ..	..	..	..	..	..	..	..	..
,, 14 to 15 ..	..	..	..	..	..	..	1	50
No term	137	34,012	57	6,465	148	43,191	98	12,919
Total ..	224	62,216	126	16,517	233	2,223	158	21,578

Period in years.	1928.				1929.			
	Simple.		Usufructuary.		Simple.		Usufructuary.	
	Number.	Value.	Number.	Value.	Number.	Value.	Number.	Value.
		RS.		RS.		RS.		RS.
One year and less ..	16	6,700	7	1,092	13	2,332	12	1,257
Years 1 to 2 ..	14	3,064	5	690	11	3,567	17	1,630
,, 2 to 3 ..	30	9,197	26	3,506	28	6,506	36	6,843
,, 3 to 4 ..	2	800	17	2,695	3	2,500	1	50
,, 4 to 5 ..	11	1,450	8	2,030	7	1,630	8	2,440
,, 5 to 6 ..	1	45	3	400	1	1,000	..	..
,, 6 to 7 ..	27	5,100	..	..	..	..	2	300
,, 7 to 8 ..	..	..	..	..	..	..	..	..
,, 9 to 10 ..	27	4,250	..	..	1	300	..	..
,, 10 to 11 ..	..	..	..	..	..	..	..	..
,, 11 to 12 ..	..	..	..	..	..	..	..	..
,, 14 to 15 ..	..	..	..	..	..	..	..	..
No term	164	53,620	98	17,534	124	28,538	117	14,717
Total ..	292	66,226	164	27,947	188	46,273	193	27,237

85. The number, average of the six years shown in the above table, of mortgages in each time was then set out in the following form. The mortgages in the period from, say, two to three years, might have been for two or three years or on the average for an

intermediate period: two figures were then taken, the maximum and the minimum in each category—the number of mortgages multiplied by the minimum and maximum period in years which all of these could run in each case is thus entered in columns 3 to 10 and the average period is obtained by dividing the average of the 2nd and 3rd figures in column 12 (that is half their total) by the first figure.

86. The following figures were thus arrived at.

Statement showing the average duration of mortgages executed in 1924 to 1929 in thirty villages included in the Srimushnam Sub-Registrar's jurisdiction.

Nature of the deed. (1)	— (2)	Up to 1 year. (3)	1—2 years. (4)	2—3 years. (5)	3—4 years. (6)	4—5 years. (7)	5—6 years. (8)	6—7 years. (9)	9—10 years. (10)	No term. (11)	Total of columns (3)—(10). (12)	Average mean duration. (13)
Simple mortgages.	Average of six years.	16	16	32	5	13	1	4	5	149	92	
	Minimum number.	8	16	64	15	52	5	24	45	298	229	2·95 years.
	Maximum number	16	32	96	20	65	6	28	50	447	313	
Usufructuary mortgages.	Average of six years.	9	14	30	5	5	1	1	..	89	65	
	Minimum number.	4	14	60	15	20	5	6	..	178	124	2·37 years.
	Maximum number.	9	28	90	20	25	6	7	..	267	185	

Average stated duration of all mortgages—2·75 years.

87. Similar figures were then taken out in the Registrar's Office at Ellore.

Statement showing average duration of mortgages registered in the Registrar's Office, Ellore, West Godavari district, during the years 1924—29 (both inclusive).

Nature of the deed. (1)	1 year and less. (2)	1—2 years. (3)	2—3 years. (4)	3—4 years. (5)	4—5 years. (6)	5—6 years. (7)	6—7 years. (8)	7—8 years. (9)	8—9 years. (10)	9—10 years. (11)	10—11 years. (12)	11—12 years. (13)	12—20 years. (14)	No term. (15)	Total. (16)	Average mean period. (17)
1924																
Simple—																
Number registered	132	61	54	47	30	18	2	5	..	6	..	1	2	540	898	2·44
Minimum number	66	61	108	141	120	90	12	35	..	54	..	11	24	1,080	1,802	
Maximum number	132	122	162	188	150	108	14	40	..	60	..	12	40	1,520	2,648	
Usufructuary—																
Number registered	1	..	1	2	3	1	..	..	..	1	..	..	..	...	9	4·33
Minimum number	1	..	2	6	12	5	..	..	..	9	..	..	..	..	35	
Maximum number	1	..	3	8	15	6	..	..	..	10	..	..	..	..	43	
1925																
Simple—																
Number registered	153	53	51	55	30	14	3	4	..	5	..	2	2	330	702	2·28
Minimum number	77	53	102	165	120	70	18	28	..	45	..	22	24	660	1,384	
Maximum number	153	106	153	220	150	84	21	32	..	50	..	24	40	990	2,023	
Usufructuary—																
Number registered	..	..	..	..	1	..	..	..	..	..	..	..	..	2	3	4 5
Minimum number	..	..	..	..	4	..	..	..	..	..	..	..	..	8	12	
Maximum number	..	..	..	..	5	..	..	..	..	..	..	..	..	10	15	
1926																
Simple—																
Number registered	114	53	53	47	32	33	6	3	1	6	1	..	1	446	796	2·69
Minimum number	57	53	106	141	128	165	36	21	8	54	10	..	12	892	1,683	
Maximum number	114	106	169	188	160	198	42	24	9	60	11	..	20	1,338	2,429	
Usufructuary—																
Number registered	..	..	..	..	1	..	..	..	..	1	..	..	..	3	5	7 00
Minimum number	..	..	..	..	4	..	..	..	..	9	..	..	..	21	34	
Maximum number	..	..	..	..	5	..	..	..	..	10	..	..	..	21	36	

Statement showing average duration of mortgages registered in the Registrar's Office, Ellore, West Godavari district, during the years 1924—29 (both inclusive)—*cont.*

Nature of the deed. (1)	1 year and less. (2)	1—2 years. (3)	2—3 years. (4)	3—4 years. (5)	4—5 years. (6)	5—6 years. (7)	6—7 years. (8)	7—8 years. (9)	8—9 years. (10)	9—10 years. (11)	10—11 years. (12)	11—12 years. (13)	12—20 years. (14)	No term. (15)	Total. (16)	Average mean period. (17)
1927																
Simple—																
Number registered	177	42	56	45	45	26	6	3	2	56	9	3	..	605	1,075	3·36
Minimum number	89	42	112	135	180	130	36	21	16	504	90	33	..	1,815	3,203	
Maximum number	177	84	168	180	225	156	42	24	18	560	99	36	..	2,420	4,189	
Usufructuary—																
Number registered	1	4	2	1	1	1	..	1	..	..	..	..	..	5	16	3·00
Minimum number	1	4	4	3	4	5	..	7	..	..	..	..	..	15	43	
Maximum number	1	8	6	4	5	6	..	8	..	..	..	..	..	15	53	
1928																
Simple—																
Number registered	146	49	39	44	74	13	5	16	2	59	..	1	6	759	1,213	3·69
Minimum number	73	49	78	132	296	65	30	112	16	531	..	11	72	2,277	3,742	
Maximum number	146	98	117	176	370	78	35	128	18	590	..	12	120	3,036	4,924	
Usufructuary—																
Number registered	5	1	1	1	3	..	..	..	..	1	..	..	..	8	20	2·93
Minimum number	3	1	2	3	12	..	..	..	..	9	..	..	..	16	46	
Maximum number	5	2	3	4	15	..	..	..	..	10	..	..	..	24	63	
1929																
Simple—																
Number registered	195	62	51	66	89	18	8	12	2	14	1	3	2	628	1,151	2·80
Minimum number	98	62	102	198	356	90	48	84	16	126	10	33	24	1,256	2,503	
Maximum number	195	124	153	264	445	108	56	96	18	140	11	36	40	1,884	3,570	
Usufructuary—																
Number registered	..	..	5	..	..	1	..	..	..	2	..	..	..	4	12	4·62
Minimum number	..	..	10	..	..	5	..	..	..	18	..	..	..	16	49	
Maximum number	..	..	15	..	..	6	..	..	..	20	..	..	..	20	61	

Statement showing average duration of mortgage documents registered in the Registrar's office, Ellore, West Godavari district, during the years from 1924 to 1929.

Average for six years from 1924 to 1929.

Nature of the deed. (1)	1 year and less. (2)	1—2 years. (3)	2—3 years. (4)	3—4 years. (5)	4—5 years. (6)	5—6 years. (7)	6—7 years. (8)	7—8 years. (9)	8—9 years. (10)	9—10 years. (11)	10—11 years. (12)	11—12 years. (13)	12—24 years. (14)	Total. (15)	Average mean period. (16)
Simple—															
Number registered	153	53	51	51	50	20	5	7	1	24	2	2	2	421	2·93
Minimum number	77	53	102	153	200	100	30	49	8	216	20	22	24	1,054	
Maximum number	153	106	153	204	250	120	35	56	9	240	22	24	40	1,412	
Usufructuary—															
Number registered	1	1	2	1	1	1	..	..	..	1	..	..	..	8	3·81
Minimum number	1	1	4	3	4	5	..	..	..	9	..	..	..	27	
Maximum number	1	2	6	4	5	6	..	..	..	10	..	..	..	34	

Note.—Average duration for 429 simple and usufructuary mortgages—2·95.

88. From this the average stated duration for a mortgage is 2·9 years. Doubtless some are paid off before the period and some continue after it and the chief divergence so far from Sir Frederick Nicholson's results is in his observance that usufructuary mortgages are on the average for a longer stated period. We have not found it so.

89. Again we have examined a number of cases in which a mortgage recites an old one which it supersedes. Sometimes more than one are quoted, but this shows definitely exactly how long the superseded document was running. In some cases the new document was less than its predecessor on account of repayments, in other cases accumulated interest swelled it to a larger figure.

90. Not a large number of documents quote the previous one and the following figures were arrived at after going through many hundreds of mortgages over a considerable period.

Superseded mortgage documents in the office of the Sub-Registrar, Sulurpet.

Year in which the document was superseded.	Amount.	Period for which the prior mortgage was in existence before it was superseded.	Year in which the document was superseded.	Amount.	Period for which the prior mortgage was in existence before it was superseded.
	RS.	YEARS.		RS.	YEARS.
1929 ..	891	19	1925 ..	300	1
1928 ..	275	2	1924 ..	300	1
	50	4		1,400	1
	160	10	1923 ..	..	..
1927 ..	200	2	1922 ..	..	..
1926 ..	100	2	1921 ..	20	11
	350	1	1920 ..	..	..
	300	2	1919 ..	..	..
	30	2	1918 ..	..	..
	125	2	1917 ..	..	..
	300	2	1916 ..	100	10
	325	1		330	15
	270	1		1,400	6
	75	1	1915 ..	600	1
	200	1	1914 ..	99	2
1925 ..	120	1		150	1
	75	1	1913 ..	500	1
	120	1	1912 ..	..	..
	300	1			

Superseded mortgage documents in the office of the District Registrar, Ellore.

Original document. Amount. RS.	Original document. Duration.	Subsequent document. Amount. RS.	Subsequent document. Duration.
1924			
100	1 year	100	4 years.
2,500	2 years.	2,000	On demand.
299	2 "	100	1 year.
85	2 "	189	4 years.
200	1 year.	600	1 year.
100	1 "	600	On demand.
400	2 years.	699	2 years.
200	5 "	360	2 "
400	1 year.	200	On demand.
300	8 years.	525	4 years.
300	2 "	150	1 year.
800	3 "	1,500	15 years.
700	5 "	1,000	5 "
300	2 "	400	On demand.
5,325	5 "	675	6 years.
1925			
100	4 years.	180	On demand.
1,000	7 "	1,126	"
400	2 "	400	"
6,000	12 "	4,817	6 years.
800	10 "	200	1 year.
560	7 "	1,176	On demand.
560	7 "	1,094	"
833	7 "	1,266	"
182	8 "	66	"
526	13 "	1,486	"
1926			
3,000	4 years.	1,600	10 years.
13,000	7 "	3,000	On demand.
1,100	1 year.	2,000	"
1,000	1 "	350	"
1,350	2 years.	500	"
3,000	3 "	1,000	1 year.
5,000	1 year in 1924	1,500	1 "
3,000	1 year in 1925.		
750	1 year.	750	1 "
1927			
2,500	10 years.	3,500	On demand.
600	1 year.	300	"
400	4 years.	200	"
600	3 "	1,422	"
700	2 "	300	No term.
600	1 year.	300	On demand.
700	10 years.	200	2 years.
600	1 year.	1,500	On demand.
1928			
800	1 year.	464	On demand.
260	1 "	100	"
425	6 years.	700	1 year.
400	1 year.	800	5 years
2,000	2 years.	1,000	On demand.
2,500	1 year.	1,000	1 year.

Superseded mortgage documents in the office of the District Registrar, Ellore—*cont.*

1929

Original document. Amount.	Duration.	Subsequent document. Amount.	Duration.
RS.		RS.	
1,200	1 year.	2,000	On demand.
160	9 years.	230	,,
1,500	14 ,,	300	2 years.
8,900	2 ,,	2,500	On demand.
150	2 ,,	175	,,
50	2 ,,	220	,,
3,000	8 ,,	2,000	1 year.
700	3 ,,	2,000	On demand.
150	1 year.	2,200	3 years.
75	3 years.	800	On demand.

Superseded mortgage documents in the Registrar's Office, Nellore.

Year in which the document was superseded.	Amount.	Period in years during which the prior mortgage was in existence before it was superseded.	Year in which the document was superseded.	Amount.	Period in years during which the prior mortgage was in existence before it was superseded.
	RS.			RS.	
1929	133	6	1925—*cont.*	2,500	3
	1,000	14		1,000	1
	450	10		200	5
	4,500	7		300	5
	500	2	1924	350	5
	1,440	6		950	1
	357	11		900	3
1928	300	4		50	6
	1,000	1	1923	400	7
	250	9		700	1
	400	3		50	1
	4,630	1		1,000	7
1927	237	2	1922	150	1
	300	5		150	2
	200	5		100	4
	200	13		100	1
	500	8		2,000	3
	178	1		500	1
1926	1,000	3		800	2
	1,049	15		400	1
	300	1		50	6
	1,000	1	1921	400	2
	1,500	5		1,400	4
	1,000	5		134	6
1925	800	10		34	2
	150	1		86	3
	440	11		700	3
	100	1	1920	400	3
	250	3		71	2
	1,000	1		80	5
	126	3		900	2
	3,000	4		900	2
	50	3			

Superseded mortgage documents in the Registrar's office, Nellore—*cont.*

Year in which the document was superseded.	Amount.	Period in years during which the prior mortgage was in existence before it was superseded.	Year in which the document was superseded.	Amount.	Period in years during which the prior mortgage was in existence before it was superseded.
	RS.			RS.	
1920—*cont.* ..	400	1	1917 ..	500	2
	200	1		140	3
1919 ..	81	1		500	4
	3,000	3		890	4
	500	1		240	1
1918 ..	200	4		290	2
	784	5		100	6
	50	3	1916 ..	500	1
	125	7		70	2
	60	1		190	1
	140	1		90	2
	100	1		800	1
	7,449	4		170	1
	800	3	1915 ..	250	1
	100	6	1913 ..	502	7
	50	2			

Nellore	96	357
Do.	1	3·72
Sulurpeta	30	106
Do.	1	3·53
Ellore	58	229
Do.	1	3·95

The average period for which these documents persisted was 3·76. We have no means of ascertaining what was the average period of mortgages which were paid off at or before maturity, that is, all those which were not renewed. Those that are renewed naturally extend beyond the average stipulated period of the document before renewal and the average duration of mortgages would be something less than the average life of documents which are not paid off but are ultimately replaced by a new one. The figure is therefore somewhere about 2·9 and definitely less than 3·76, and we do not think we shall be far wrong in taking 3 as the correct figure.

Mortgages registered.

91. Now the mortgages registered are shown in the following statement for the last ten years:—

Statement of mortgages registered in the different districts in the Madras Presidency.

Registration districts.	Instruments of mortgage.		Bonds or obligations for payment of money.	
	Number.	Aggregate value.	Number.	Aggregate value.
1919				
		RS.		RS.
Madras	3,300	58,15,660	137	9,64,618
Chingleput	25,505	69,83,171	375	4,71,779
Ganjam	18,684	39,69,906	831	5,15,162
Vizagapatam	14,491	49,91,965	396	4,94,795
Godavari, East	13,460	66,21,116	539	7,16,348
Godavari, West	..	..	..	..
Kistna	19,601	94,03,190	723	14,80,534
Guntur	13,306	49,65,260	225	2,10,049
Nellore	7,378	32,10,043	177	2,55,578
Cuddapah	3,465	10,91,059	109	69,913
Kurnool	6,549	19,95,461	106	1,13,942
Bellary	7,597	31,45,023	74	1,27,623
Anantapur	6,519	17,11,535	227	4,32,837
North Arcot	37,133	88,56,643	759	20,11,230
South Arcot	44,500	95,54,368	707	5,86,720
Chittoor	12,245	33,80,371	296	3,39,809
Cuddalore	..	..	..	..
Villupuram	..	..	..	..
Tanjore	33,160	1,47,28,426	905	8,11,563
Negapatam	..	..	..	..
Madura	51,378	1,67,12,452	723	5,11,598
Ramnad	45,388	1,22,91,792	1,379	4,49,885
Tinnevelly	55,147	1,70,00,658	2,940	5,71,634
Palamcottah	..	..	..	..
Trichinopoly	35,790	1,25,94,331	752	8,50,911
Salem	41,090	1,15,10,989	671	8,80,650
Erode	..	..	..	..
Coimbatore	43,229	1,99,64,979	1,025	8,22,411
The Nilgiris	1,507	7,64,585	68	96,740
Palghat	26,007	71,81,132	4,207	6,74,148
Calicut	32,148	41,80,197	5,195	5,27,384
Tellicherry	34,442	46,19,948	4,275	5,18,153
South Kanara	7,597	55,19,730	1,550	5,88,435
Total ..	639,606	20,27,63,990	29,371	1,61,11,449
1920				
Madras	1,392	86,32,216	128	8,33,221
Chingleput	28,943	67,13,231	495	11,52,978
Ganjam	19,172	43,53,609	773	5,60,440
Vizagapatam	15,067	61,41,672	364	5,57,908
Godavari, East	12,724	60,98,363	661	14,90,062
Godavari, West	..	..	..	..
Kistna	18,750	93,76,717	674	11,91,285
Guntur	11,534	44,33,461	307	5,15,398
Nellore	6,286	24,36,989	218	3,31,564
Cuddapah	3,147	10,18,787	126	3,32,870
Kurnool	6,122	19,48,009	121	1,40,708
Bellary	7,799	34,38,744	140	2,28,483
Anantapur	4,658	17,88,654	201	4,55,119
North Arcot	31,744	88,02,183	600	11,57,818
South Arcot	40,961	99,16,379	861	5,89,225

Statement of mortgages registered in the different districts in the Madras Presidency—*cont.*

Registration districts.	Instruments of mortgage. Number	Instruments of mortgage. Aggregate value.	Bonds or obligations for payment of money. Number.	Bonds or obligations for payment of money. Aggregate value.
	1920—*cont.*			
		RS.		RS
Chittoor	10,514	26,13,603	256	2,85,971
Cuddalore	..	..	..	..
Villupuram	..	..	..	..
Tanjore	17,838	86,17,553	425	7,27,377
Negapatam	10,796	65,20,357	385	3,30,647
Madura	45,151	1,59,69,367	583	4,35,206
Ramnad	43,110	1,25,77,727	1,547	8,98,254
Tinnevelly	29,118	91,81,650	1,585	4,40,472
Palamcottah	27,225	1,01,41,193	1,423	9,31,110
Trichinopoly	27,924	1,09,80,232	698	6,57,052
Salem	33,518	1,00,04,037	555	6,28,227
Erode	18,895	63,89,071	499	3,33,127
Coimbatore	22,483	1,10,16,650	541	6,85,352
The Nilgiris	926	10,05,877	75	97,160
Palghat	26,513	83,17,002	4,487	7,53,462
Calicut	34,451	47,48,435	5,119	7,45,447
Tellicherry	33,835	49,97,454	4,143	5,15,771
South Kanara	6,637	54,70,130	1,394	7,34,517
Total ..	593,933	20,62,08,902	29,374	1,87,06,741
	1921			
Madras	3,552	1,12,99,709	151	13,58,797
Chingleput	20,927	66,22,196	401	11,76,662
Ganjam	15,278	41,18,756	613	3,47,319
Vizagapatam	12,944	56,07,789	257	3,15,064
Godavari, East	11,214	61,01,324	644	8,38,975
Godavari, West	..	..	..	..
Kistna	16,113	88,55,191	620	14,61,159
Guntur	8,968	41,70,902	282	6,51,522
Nellore	5,955	26,90,101	296	6,04,047
Cuddapah	3,079	10,52,758	112	2,73,738
Kurnool	7,431	23,10,592	223	4,32,165
Bellary	7,751	35,78,507	169	5,21,621
Anantapur	5,323	19,72,751	283	11,12,316
North Arcot	33,134	9,64,643	1,095	26,94,938
South Arcot	..	..	..	..
Chittoor	10,231	26,04,968	347	5,88,685
Cuddalore	19,565	52,96,074	493	5,92,102
Villupuram	15,179	36,49,207	327	3,05,165
Tanjore	16,706	70,23,915	429	8,19,821
Negapatam	11,358	82,55,648	370	4,99,445
Madura	39,083	1,53,33,166	605	4,34,631
Ramnad	40,059	1,27,78,863	1,512	9,71,867
Tinnevelly	28,927	95,41,157	1,660	4,99,895
Palamcottah	26,684	1,01,90,880	1,473	8,64,872
Trichinopoly	28,288	1,21,46,616	751	9,56,811
Salem	31,114	1,02,33,175	689	12,54,699
Erode	17,943	6,75,186	526	3,76,096
Coimbatore	20,722	1,49,47,364	568	7,19,813
The Nilgiris	640	5,61,857	68	55,970
Palghat	22,067	75,30,018	4,099	6,25,431
Calicut	24,405	34,83,818	3,620	5,32,318
Tellicherry	31,832	43,94,118	4,042	5,23,302
South Kanara	6,709	57,23,308	1,471	11,25,552
Total ..	593,761	20,84,81,946	28,196	2,34,76,598

Statement of mortgages registered in the different districts in the Madras Presidency—*cont.*

Registration districts.	Instruments of mortgage. Number.	Instruments of mortgage. Aggregate value.	Bonds or obligations for payment of money. Number.	Bonds or obligations for payment of money. Aggregate value.
1922				
		RS.		RS.
Madras	3,483	99,61,015	107	6,58,049
Chingleput	18,157	61,14,894	372	11,52,139
Ganjam	11,717	35,18,198	516	3,72,048
Vizagapatam	12,593	60,88,865	231	2,55,518
East Godavari	10,541	65,19,469	553	11,76,337
West Godavari	..	..	..	..
Kistna	14,970	81,16,732	683	4,56,876
Guntur	7,962	37,52,119	238	12,05,536
Nellore	5,593	26,48,252	259	7,01,316
Cuddapah	3,116	11,42,029	112	5,26,315
Kurnool	6,430	21,08,115	138	1,96,304
Bellary	7,184	32,67,633	151	3,18,437
Anantapur	5,990	19,54,385	353	6,75,275
North Arcot	28,532	83,09,815	509	9,25,235
South Arcot	..	..	..	..
Chittoor	9,690	25,52,912	373	11,45,120
Cuddalore	18,756	49,03,084	470	6,48,045
Villupuram	14,994	33,88,747	283	4,04,060
Tanjore	16,182	70,48,592	463	2,96,869
Negapatam	9,766	70,72,478	366	5,84,786
Madura	36,889	1,38,83,633	459	4,28,018
Ramnad	36,976	1,18,78,238	1,572	4,30,381
Tinnevelly	26,222	94,04,105	1,572	7,76,513
Palamcottah	23,567	92,94,749	1,393	7,18,365
Trichinopoly	26,111	1,09,62,134	641	7,51,273
Salem	30,998	1,02,49,837	551	7,74,247
Erode	17,706	66,53,727	522	4,90,960
Coimbatore	19,529	1,42,98,416	480	6,78,564
The Nilgiris	628	9,30,982	25	36,373
Palghat	20,703	73,75,181	4,048	7,27,324
Calicut	18,938	29,32,527	2,939	4,55,105
Tellicherry	29,797	43,27,180	3,711	4,80,130
South Kanara	6,571	60,02,312	1,368	15,22,368
Total ..	500,301	19,66,60,355	25,458	1,99,66,886
1923				
Madras	3,328	1,08,68,582	120	3,19,406
Chingleput	18,055	60,32,865	494	15,03,038
Ganjam	11,240	33,41,575	563	4,67,704
Vizagapatam	10,373	43,27,357	334	6,20,339
East Godavari	9,782	58,01,855	504	9,11,490
West Godavari	..	..	..	..
Kistna	13,802	76,02,270	754	16,00,792
Guntur	6,859	31,96,561	483	8,13,017
Nellore	4,936	23,02,173	330	5,94,619
Cuddapah	2,970	11,70,879	68	1,24,468
Kurnool	5,779	20,79,806	117	2,06,526
Bellary	7,171	34,06,475	118	2,90,924
Anantapur	5,357	18,00,528	197	7,50,101
North Arcot	27,622	79,39,780	526	15,14,680
South Arcot	..	..	..	..
Chittoor	9,081	26,25,393	225	4,12,864
Cuddalore	18,619	51,27,613	590	7,27,633

Statement of mortgages registered in the different districts in the Madras Presidency—*cont.*

Registration districts.	Instruments of mortgage.		Bonds or obligations for payment of money.	
	Number.	Aggregate value.	Number.	Aggregate value.
		1923—*cont.*		
		RS.		RS.
Villupuram	14,975	32,85,748	486	4,44,218
Tanjore	14,233	61,56,580	515	7,84 845
Negapatam	8,693	58,16,721	459	5,47,891
Madura	35,450	1,33,09,880	476	5,37,939
Ramnad	34,878	1,15,62,736	1,677	9,10,486
Tinnevelly	26,418	88,87,442	1,774	5,18,900
Palamcottah	21,184	82,25,611	1,342	8,14,971
Trichinopoly	24,270	1,11,02,762	524	6,11,526
Salem	30,030	1,04,61,400	595	9,43,617
Erode	17,298	69,88,611	495	4,14,085
Coimbatore	18,535	1,40,68,698	523	6,86,227
The Nilgiris	646	8,75,385	17	51,900
Palghat	22,795	77,36,310	3,959	6,72,715
Calicut	26,289	42,36,790	4,410	6,34,916
Tellicherry	33,315	49,52,508	4,559	6,38,837
South Kanara	6,193	55,50,644	1,252	17,80,335
Total	490,096	19,07,61,541	28,486	2,17,50,994
		1924		
Madras	3,777	1,28,29,682	169	5,42,116
Chingleput	20,418	67,47,607	596	15,06,024
Ganjam	10,745	30,70,896	649	6,84,471
Vizagapatam	10,294	40,17,595	337	4,20,771
East Godavari	10,046	57,21,254	531	11,65,860
Kistna	14,055	83,81,805	790	16,19,323
Guntur	7,255	34,20,408	593	9,70,741
Nellore	5,290	26,57,168	402	8,63,593
Cuddapah	3,636	10,97,845	217	3,86,750
Kurnool	6,151	22,67,079	139	2,36,518
Bellary	7,587	32,94,991	145	3,98,700
Anantapur	5,550	17,63,745	141	3,93,106
North Arcot	30,080	83,36,558	539	17,70,817
Chittoor	9,680	26,31,550	182	3,06,065
Cuddalore	19,077	52,16,351	728	8,49,678
Villupuram	15,549	35,31,690	505	4,47,283
Tanjore	14,319	69,88,658	564	8,83,830
Negapatam	9,380	62,45,636	546	5,18,515
Madura	37,027	1,42,92,411	517	5,19,036
Ramnad	38,320	1,41,18,261	1,825	8,14,475
Tinnevelly	27,745	97,48,856	1,783	5,39,626
Palamcottah	22,631	89,08,847	1,392	11,64,349
Trichinopoly	22,889	1,02,17,692	561	6,24,203
Salem	30,772	1,01,90,825	718	10,66,516
Erode	16,540	60,02,360	426	4,64,229
Coimbatore	18,773	1,40,57,032	584	9,38,873
The Nilgiris	506	6,76,209	32	5,515
Palghat	23,141	79,97,226	4,018	8,14,950
Calicut	26,567	38,84,289	4,526	6,80,685
Tellicherry	32,202	47,07,480	5,258	5,54,324
South Kanara	6,926	63,96,471	1,346	17,67,513
Total	506,918	19,94,18,177	30,669	2,39,68,085

Statement of mortgages registered in the different districts in the Madras Presidency—*cont.*

Registration districts.	Instruments of mortgage.		Bonds or obligations for payment of money.	
	Number.	Aggregate value.	Number.	Aggregate value.
		1925		
		RS.		RS.
Madras	3,999	1,43,13,207	157	3,75,075
Chingleput	19,018	62,00,594	605	18,35,594
Ganjam	10,173	29,23,144	673	8,83,893
Vizagapatam	9,880	44,49,707	378	5,82,048
East Godavari	9,956	57,79,743	590	14,47,845
West Godavari	7,242	43,64,833	376	9,73,963
Kistna	6,634	47,32,250	394	9,21,068
Guntur	6,245	32,50,629	447	13,98,028
Nellore	4,904	21,49,316	353	7,29,457
Cuddapah	3,114	10,99,705	189	3,91,710
Kurnool	5,572	21,80,806	127	2,72,440
Bellary	8,386	36,79,857	213	6,41,953
Anantapur	5,339	18,24,896	126	4,26,620
North Arcot	28,296	82,95,356	463	8,25,931
South Arcot	..	..	..	..
Chittoor	9,508	25,84,686	281	3,72,831
Cuddalore	20,837	57,27,758	568	9,90,986
Villupuram	17,162	37,97,230	377	4,04,153
Tanjore	15,483	64,48,417	711	11,53,546
Negapatam	9,607	57,88,295	777	8,49,964
Madura	37,379	1,41,02,413	519	5,27,684
Ramnad	38,963	1,32,92,660	2,139	10,27,806
Tinnevelly	26,651	97,62,021	1,740	5,67,143
Palamcottah	21,418	84,78,954	1,397	10,14,539
Trichinopoly	24,942	1,09,17,011	643	9,41,539
Salem	31,379	1,06,85,520	651	6,82,535
Erode	19,382	81,49,177	404	4,66,974
Coimbatore	17,369	1,27,01,069	553	7,67,150
The Nilgiris	682	6,57,146	28	43,780
Palghat	23,276	80,32,867	3,815	7,00,787
Calicut	26,967	38,75,678	4,390	5,62,594
Tellicherry	31,331	44,39,935	4,979	5,90,920
South Kanara	7,259	63,21,461	1,322	15,66,968
Total ..	508,355	20,10,06,341	30,335	2,49,37,524
		1926		
Madras	3,515	92,95,125	152	3,98,528
Chingleput	19,398	64,45,496	604	13,44,240
Ganjam	10,225	32,66,529	798	11,14,936
Vizagapatam	11,160	52,96,320	419	6,78,624
East Godavari	11,541	68,86,871	715	22,19,442
West Godavari	8,591	55,10,548	486	15,61,838
Kistna	7,323	52,09,580	506	13,83,288
Guntur	7,117	42,41,887	515	10,96,464
Nellore	4,971	24,02,646	387	7,76,647
Cuddapah	3,395	14,77,674	108	2,81,764
Kurnool	5,411	21,80,248	81	1,50,023
Bellary	6,890	31,53,486	119	2,78,715
Anantapur	5,031	17,88,340	176	6,82,824
North Arcot	28,845	81,84,049	620	9,50,870
Chittoor	8,766	26,69,234	164	1,19,699
Cuddalore	17,951	54,22,7[illegible]7	470	4,50,701

Statement of mortgages registered in the different districts in the Madras Presidency—*cont.*

Registration districts.	Instruments of mortgage.		Bonds or obligations for payment of money.	
	Number.	Aggregate value.	Number.	Aggregate value.
1926—*cont.*				
		RS.		RS.
Villupuram	14,891	33,87,704	305	3,20,889
Tanjore	14,267	65,96,732	502	6,50,676
Negapatam	9,605	54,65,941	821	7,74,451
Madura	33,512	1,34,51,282	457	6,66,521
Ramnad	35,553	1,21,92,592	1,720	9,02,896
Tinnevelly	25,651	90,57,741	1,626	4,91,808
Palamcottah	20,170	78,51,406	1,366	8,37,349
Trichinopoly	26,308	1,13,81,531	737	13,04,706
Salem	30,200	97,97,227	462	5,07,951
Erode	18,184	74,34,475	497	6,50,317
Coimbatore	16,956	1,23,87,594	588	8,75,225
The Nilgiris	384	6,75,459	26	15,234
Palghat	22,307	77,36,161	3,626	6,88,168
Calicut	26,835	37,94,445	4,431	5,93,905
Tellicherry	31,800	47,57,154	5,151	6,00,615
South Kanara	7,464	77,04,082	1,222	12,36,785
Total ..	494,227	19,71,02,316	29,857	2,46,06,099
1927				
Madras	3,799	1,26,68,786	141	3,90,015
Chingleput	25,636	81,18,496	1,080	40,25,528
Ganjam	10,206	32,30,595	898	15,25,268
Vizagapatam	11,824	58,84,463	491	8,64,252
Godavari, East	11,769	70,19,436	810	33,87,147
Godavari, West	8,629	49,95,052	508	21,51,205
Kistna	7,314	50,27,298	504	15,42,324
Guntur	8,198	44,13,361	652	18,83,812
Nellore	5,772	26,55,881	422	9,89,303
Cuddapah	3,871	14,93,719	144	3,45,470
Kurnool	5,840	24,11,469	140	4,53,567
Bellary	7,108	32,34,969	191	7,43,277
Anantapur	6,025	19,74,670	255	13,20,007
North Arcot	32,434	96,54,891	1,019	20,33,880
Chittoor	9,244	27,03,810	168	1,54,049
Cuddalore	20,248	60,20,628	527	13,79,894
Villupuram	17,085	40,14,365	391	6,27,769
Tanjore	15,131	65,05,240	556	7,62,738
Negapatam	10,429	62,48,583	872	9,04,960
Madura	34,907	1,32,66,833	554	14,50,026
Ramnad	38,994	1,16,92,016	1,918	17,27,753
Tinnevelly	26,744	90,35,397	1,973	11,02,561
Palamcottah	21,449	82,94,133	1,563	14,42,324
Trichinopoly	26,241	1,11,64,611	1,033	17,57,953
Salem	33,234	1,10,06,635	636	20,59,086
Erode	17,048	66,91,971	515	7,82,915
Coimbatore	17,023	1,26,66,436	592	9,43,923
The Nilgiris	4,446	6,14,110	25	49,080
Palghat	22,880	77,11,312	3,732	8,42,347
Calicut	27,190	38,02,676	4,681	7,07,053
Tellicherry	32,873	51,64,478	5,853	7,19,625
South Kanara	6,756	62,86,168	1,078	8,38,390
Total ..	525,747	20,56,72,478	33,952	3,99,07,501

Statement of mortgages registered in the different districts in the Madras Presidency—*cont.*

Registration districts.	Instruments of mortgages.		Bonds or obligations for payment of money.	
	Number.	Aggregate value.	Number.	Aggregate value.
		1928		
		RS.		RS.
Madras	4,012	88,48,083	105	3,75,104
Chingleput	20,549	64,94,105	627	22,80,256
Ganjam	10,232	30,90,712	882	14,38,068
Vizagapatam	11,915	59,05,112	509	9,70,954
Godavari, East	11,668	76,24,925	902	40,12,290
Godavari, West	8,734	53,61,997	611	32,90,044
Kistna	7,412	51,20,851	539	20,82,111
Guntur	7,776	44,61,771	558	16,45,777
Nellore	4,965	24,35,721	389	10,10,919
Cuddapah	3,509	13,42,622	102	1,42,961
Kurnool	6,639	29,40,118	105	4,41,116
Bellary	8,311	38,16,842	215	6,84,114
Anantapur	5,343	20,00,570	127	4,90,223
North Arcot	32,384	96,30,579	1,042	17,35,632
Chittoor	9,840	28,14,402	213	4,17,413
Cuddalore	18,639	54,04,791	468	5,89,896
Villupuram	15,814	35,77,556	308	3,20,175
Tanjore	14,656	63,29,888	564	6,26,996
Negapatam	9,405	51,44,311	847	10,67,298
Madura	34,320	1,29,83,052	493	7,42,906
Ramnad	34,544	1,11,79,991	1,565	10,00,017
Tinnevelly..	24,274	80,04,371	1,647	5,30,991
Palamcottah	19,533	77,40,914	1,337	11,07,502
Salem	33,548	1,17,15,363	671	12,33,893
Trichinopoly	24,825	1,15,46,149	920	14,99,430
Erode	16,144	64,58,275	560	7,48,318
Coimbatore	16,250	1,31,40,888	542	9,23,053
The Nilgiris	554	4,26,448	33	1,15,404
Palghat	24,496	74,92,019	3,502	5,09,641
Calicut	28,384	39,31,226	4,394	5,65,669
Tellicherry	35,510	54,17,457	6,300	6,97,946
South Kanara	6,789	63,72,150	1,178	10,35,837
Total ..	510,974	19,87,43,259	32,258	3,43,26,954

Bonds registered.

They have been annually for ten years fairly constant at 20 crores per annum. This gives, multiplied by 3, a subsisting debt of 60 crores. The value of bonds registered annually has gone up from 160 lakhs to $3\frac{1}{2}$ crores, but these bonds are changed more frequently. They are paid off or replaced by fresh bonds more frequently than are mortgages and it would not be reasonable to take more than double one year's registration to represent the debt on this account outstanding at any one time. We arrive thus at 67 crores as the outstanding registered debt. This figure includes both rural and urban and the only way to allocate it between urban and rural would be to consider the amount registered in Madras City and take the same proportion for other urban population, for the registered figures do not distinguish and it would take an amount of labour which we think unreasonable in the circumstances to go through the registers and attempt to pick out separate figures

for rural and urban. This would divide the debt between rural and urban but would not divide it between agricultural and non-agricultural with any certainty of accuracy. Of the 20 crores annually, one crore is provided by Madras City and this should be deducted together with more than another crore for other urban loans if we are to take only the rural debts into consideration. As we include debts for all purposes in this statement there does not seem to be any reason to deduct a more or less arbitrary figure for urban debts.

92. The outstanding secured debt has been taken by Nicholson to be about 45 per cent of the whole and his reasons for accepting this figure are set out in his report. Darling has arrived at a similar figure. We have examined the question with reference to such material as we have before us and the result is somewhat conflicting. Particularly is this the case in regard to statistics carefully compiled and set out in Settlement Reports. Unfortunately we have no information to show at what time of the year the figures were taken and this is a matter of the utmost importance for as we have observed a vast amount of debt is repaid at the harvest and the percentage of secured debt to the whole outstanding debt must then go up suddenly and very greatly. But even apart from this the proportion varies greatly from one district to another at the same time. The following figures are about the most reliable that are open to us:— Unsecured debt.

Tanjore Settlement Report—1921.

—	Total debt.	Secured (registered).	Percentage of whole debt.	Unsecured (unregistered).	Percentage of whole.
	RS.	RS.		RS.	
Delta	10,25,065	4,01,095	40	6,20,970	60
Upland	90,254	62,735	70	27,519	30
Total ..	11,15,319	4,66,830	42	6,48,489	58

Secured debt is 42 per cent of the whole debt.

Unsecured debt is 58 per cent of the whole debt.

Bellary and Anantapur Settlement Reports—1920.

		RS.	Per cent.
60 villages in Bellary district.	Registered ..	8,15,921	71
	Unregistered ..	3,24,815	29
40 ,, Anantapur ,,	Registered ..	1,90,117	30
	Unregistered ..	4,48,766	70
100 ,, Bellary and Anantapur districts.	Registered ..	10,06,038	56·5
	Unregistered ..	7,73,581	43·5

		Secured. Per cent.	Unsecured. Per cent.
East Godavari.	Alamuru	64	36
	Pedapalla	33	67
	Penikeru	36	64
Bellary ..	Paramadevanahalli ..	45	54
	Yalpikaggal	29	71
	Chaganur	35	65
Madura ..	Chittampatti ..	83	17
	Kodikkulam	56	44
	Peykulam	70	30
Coimbatore ..	Kambliampatti	75	25
	Graynagar	56	44
	Nagamanickenpalayam ..	53	47

The figures taken out by the Investigators under this Committee were compiled between September and November when the debt was getting towards its maximum but there is here also a very great discrepancy between the figures of one village and another, the percentage of secured debt varying from 29 to 83. On these figures we could only take it that the secured debt is about half of the total debt when the latter is at its maximum just before the harvest. The 67 crores is then 50 per cent of the whole; we must add on that account the other 50 per cent, i.e., 67 crores and arrive at a total of 134 crores.

Total outstanding debt.

93. These figures take no account of interest. Nicholson has taken 12 per cent as the interest, that is the ordinary rate on first-class mortgage and we shall later show that this is a reasonable figure. The interest on short-term and less well secured debts are at a somewhat higher rate but if we add 12 per cent for the interest we shall not be far wrong for though some is at a higher rate, some short-term loan ran only for a few months and we arrive at 134 + 16 = 150 crores as the debt due or outstanding at the harvest.

94. Again if we consider what would be borrowed during the year having in mind that a vast number of the ryots borrow for cultivation expenses including the wages they pay to coolies or the equivalent in the form of domestic expenses for themselves and consider that for cultivating 53 lakhs of acres of ryotwari wet land at Rs. 40 an acre on an average and 220 lakhs of acres of ryotwari dry land at Rs. 10 an acre and 190 lakhs of acres of wet and dry zamindari lands at an average of Rs. 16 an acre we arrive at an amount of 74 crores and considering that some do not borrow for cultivation expenses while others borrow not only for cultivation expenses but also for domestic requirements too this figure is at least comparable in view of the approximate nature of all such calculations with the figure of short-term loans (67 crores —interest) previously arrived at, that is to say, taking the 67 crores arrived at in a different way and working back it does not give unreasonable figures as costs of cultivator's expenses. It is also a

reasonable proportion of the total value of crops which by the following statement comes to 165 crores. The figures are taken from the Crop and Season Report for 1928–29 and are as follows:—

Name of article.	Quantity.	Rate per maund of 82 $\frac{2}{7}$ lb.	Value in rupees.
		RS. A. P.	
Paddy	7,757,230 tons.	3 7 0	72,53,01,006
Cholam	1,363,220 ,,	4 2 0	15,29,53,284
Ragi	1,069,620 ,,	4 2 8	12,12,23,600
Cumbu	829,390 ,,	4 10 8	10,52,77,237
Korra	324,220 ,,	3 8 0	3,08,65,744
Varagu	423,750 ,,	3 8 0	4,03,41,000
Samai	163,430 ,,	3 8 0	1,55,58,536
Maize	56,500 ,,	3 8 0	53,78,800
Bengalgram	16,430 ,,	7 0 0	31,28,272
Horsegram	150,850 ,,	4 0 0	1,64,12,480
Sugarcane	244,820 ,,	9 0 0	5,99,31,936
Groundnut	1,830,330 ,,	4 0 0	19,91,39,904
Gingelly	98,710 ,,	9 10 8	2,59,54,149
Castor	32,410 ,,	6 8 0	57,30,088
Tobacco (leaf)	133,750 ,,	10 0 0	3,63,80,000
Cotton	523,860 bales.	40 0 0	10,18,60,000
Indigo	546 tons.	..	..
			1,64,54,36,036 or 165 crores.

NOTE.—One ton = 2,240 lb. or 27·2 imperial maunds of 82$\frac{2}{7}$ lb. each.
One bale of cotton (lint) = 400 lb.

Cultivation expenses take very roughly half the crop and this is particularly the case with paddy but it is to be observed that the value of crops includes both crops on double-crop lands but the cultivation expenses outstanding at any one time as a loan are not doubled ; the borrowings for each crop are largely repaid from the crop as it is harvested and fresh borrowings taken as the next crop is cultivated. On this basis the loans for cultivation outstanding at any one time if the total cultivation expenses were borrowed would be much less than half the total annual value of all crops, that is, it would be less than 82½ crores.

95. Next we must discuss the actual figures of total debt obtained by investigation by Tahsildars into 66 villages all over the Presidency and by our own Investigating Officers into 12 villages. The figures recorded and the rates of debt in rupees per acre of occupied land, per head of population and per rupee of assessment are shown in the following statement *Actual debt in villages investigated.*

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts.

Name of district and taluk. (1)	Name of village. (2)	Population. (3)	Debt per head of population. (4)	Occupied area. (5)	Debt per acre of occupied area. (6)	Assessment. (7)	Debt per rupee of assessment. (8)	Debts on security of immovable properties. From Government. (9)	From co-operative credit societies. (10)	From money-lenders. (11)	From others. (12)	Debt without security. From co-operative credit societies. (13)	From money-lenders. (14)	From others. (15)	Total debt. (16)
			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.		RS.	RS	RS.	RS.
1. GANJAM DISTRICT.															
Berhampur ..	Golantra	1,753	28	1,084	45	4,378	11	250	..	25,905	..	..	20,783	60	49,009
	Gurantee	1,285	11	1,528	10	4,165	3	875	..	850	..	..	12,172	1,010	14,857
	Holidayabhadra ..	1,094	30	1,001	33	3,201	10	1,950	500	9,920	..	..	19,797	892	33,054
		4,132	23	3,613	26	11,744	8	3,075	500	36,675	..	..	52,752	1,962	96,920
2. VIZAGAPATAM DISTRICT.															
Vizianagram.	Pasaputiga ..	1,703	19	..	..	..	..	..	3,325	12,000	..	7,000	10,150	..	32,775
	Nadupur	1,699	20	..	..	..	..	..	..	22,250	..	5,960	5,425	..	33,635
	Budalimpalli ..	2,272	5	..	..	..	..	..	1,500	4,500	..	1,450	3,000	..	10,450
		5,674	14	..	..	..	..	..	4,825	38,750	..	14,410	18,875	..	76,860
3. EAST GODAVARI DISTRICT.															
Cocanada ..	Peddada	2,321	20	1,343	34	12,712	4	..	..	4,910	..	..	40,535	..	45,775
	Gollapalam ..	1,910	30	809	72	3,541	16	.	..	29,525	..	..	26,466	..	58,135
	P. B. Devam ..	3,442	6	3,554	54	21,201	9	..	..	70,375	..	21,900	97,249	..	1,94,066

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed manure, cattle, implements, etc.). (21)	Improvements to land. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative societies. (27)	From money-lenders (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.			RS.
1. GANJAM DISTRICT.													
Berhampur ..	Golantra	8,765	10,338	420	3,295	6,056	13,900	..	..	..	..	..	2,011
	Gurantee	3,075	5,305	230	995	1,695	2,170	..	..	..	..	..	..
	Holidayabhadra ..	2,600	12,610	300	2,027	4,507	6,910	1,000	..	..	..	..	..
		14,440	28,253	950	6,317	12,258	22,980	1,000	..	..	..	..	2,011
2. VIZAGAPATAM DISTRICT.													
Vizianagram ..	Pasaputiga.. ..	13,000	3,000	..	6,775	6,000	4,000	..	..	..	..	..	..
	Nadupur	10,000	..	6,000	10,000	5,000	2,635	..	..	..	..	..	..
	Budalimpalli ..	4,000	..	..	3,950	1,000	1,500	..	..	..	..	..	..
		27,000	3,000	6,000	20,725	12,000	8,135	..	..	..	..	..	..
3. EAST GODAVARI DISTRICT.													
Cocanada ..	Peddada	16,445	8,100	225	..	7,815	500	1,000	..	11,690	..	..	300
	Gollapalem.. ..	52,557	..	..	..	1,878	..	500	..	3,200	..	..	2,144
	P. B. Devam ..	48,724	1,700	..	650	45,024	2,050	..	80,518	..	..	..	1,542

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head of population.	Occupied area.	Debt per acre of occupied area.	Assessment.	Debt per rupee of assessment.	Debts on security of immovable properties.				Debt without security.			Total debt.
								From Government.	From co-operative credit societies.	From money-lenders.	From others.	From co-operative credit societies.	From money-lenders.	From others.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3. EAST GODAVARI DISTRICT—*cont.*			RS.	RS.	RS.	RS.	RS.		RS.	RS.	RS.	RS.	RS.	RS.	RS.
Ramachandrapur.	Alamur	3,911	59	2,001	116	12,632	20	..	66,675	73,739	6,400	3 7,450	28,581	18,055	2,31,699
	Pedapalla	1,509	71	603	179	3,863	27	..	17,874	7,280	20,700	22,842	19,560	10,110	1,08,474
	Penikeru	1,370	42	882	66	5,847	10	..	6,349	11,074	3,145	6,218	17,236	13,791	57,933
		14,466	48	9,192	76	59,799	12	..	90,898	1,96,933	30,245	91,410	2,29,627	41,956	6,96,082
4. KISTNA DISTRICT.															
Bandar ..	Konkepudi ..	1,122	123	..	..	..	..	..	7,000	24,600	..	100	1,04,660	1,650	1,38,060
	Nandigama ..	1,521	110	1,062	158	5,493	31	..	20,000	39,765	1,500	12,828	83,390	10,645	1,68,128
		2,643	116	1,062	158	5,493	31	..	27,000	64,365	1,500	12,928	1,88,050	12,295	3,06,188
5. GUNTUR DISTRICT.															
Bapatla ..	Kopparam	1,918	45	2,625	33	8,416	10	..	..	7,000	..	..	80,000	..	87,000
	Appikatla	1,588	143	1,657	146	11,186	21	..	2,094	..	1,120	49,41	1,68,000	22,176	2,42,803
	Repur	1,640	54	3,085	29	22,336	4	..	1,032	6,200	..	7,02	65,720	8,680	88,865
		5,146	81	7,367	57	41,938	10	..	3,126	13,200	1,120	56,438	3,13,720	30,856	4,18,668

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed, manure, cattle, implements, etc.). (21)	Improvements to land. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative credit societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
3. EAST GODAVARI DISTRICT—*cont.*													
Ramachandrapur.	Alamur	1,13,916	8,783	6,975	44,044	19,824	3,388	150	19,816	8,557	6,246	473	426
	Pedapalla	33,218	1,860	2,728	2,519	6,493	..	1,000	30,425	29,531	700	10,054	50
	Penikeru	13,690	664	4,168	11,547	2,166	..	..	655	20,204	4,799	100	20
		2,78,550	21,107	14,096	58,760	83,200	5,938	2,650	1,31,414	73,182	11,745	10,627	4,482
4. KISTNA DISTRICT—*cont.*													
Bandar ..	Konkepudi ..	1,04,600	23,100	..	6,000	1,450	1,200	..	..	33,100	..	50	..
	Nandigama ..	52,542	29,609	1,166	20,098	12,300	5,645	505	..	65,248	..	..	..
		1,57,142	52,709	1,166	26,098	13,750	6,845	505	..	98,348	..	50	..
5. GUNTUR DISTRICT—*cont.*													
Bapatla ..	Kopparam	20,000	10,000	4,000	..	46,000	6,000	1,000	..	..		..	..
	Appikatla	50,000	8,000	8,000	..	1,46,803	30,000	..	..	..	..	..	..
	Repur	12,000	6,000	12,000	..	58,865	..	..	..	..	..	208	..
		82,000	24,000	24,000	..	2,51,668	36,000	1,000	..	..	..	208	..

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head.	Occupied area.	Debt per acre.	Assessment.	Debt per rupee of assessment.	Debt on security of immovable properties.				Debt without security.			Total debt.
								From Government.	From co-operative credit societies.	From money-lenders.	From others.	From co-operative credit societies.	From money-lenders.	From others.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
6. NELLORE DISTRICT.															
Nellore ..	Pedur	1,396	111	2,118	74	12,678	12	3,262	1,710	..	7,329	8,543	1,33,501	..	1,55,945
	Ammancherla ..	1,297	56	2,325	31	3,666	20	1,663	1,047	9,635	4,270	1,640	28,436	26,061	72,752
	Pidathapolur ..	1,642	38	1,885	32	7,526	9	..	547	3,004	12,096	2,244	14,398	30,009	62,298
		4,335	67	6,328	46	23,870	12	4,925	3,304	12,639	23,695	12,427	1,76,335	56,070	2,90,995
7. CUDDAPAH DISTRICT.															
Cuddapah ..	Guranpadu ..	1,165	35	1,037	39	2,596	15	..	..	4,300	..		36,500	..	40,800
	Etur	496	20	1,293	8	2,508	4	..	1,100	..	800	100	4,000	4,000	10,000
	Vetukuru	1,227	32	1,130	35	2,529	18	..	3,090	700	..	..	35,267	..	39,057
		2,888	31	3,460	26	7,633	12	..	4,190	5,000	800	100	75,767	4,000	89,857
8. KURNOOL DISTRICT.															
Kurnool ..	N. Konthalpadu ..	1,175	57	2,727	25	1,846	37	..	..	..	2,500	..	32,592	31,640	66,732
	Mandyalpad ..	715	28	1,645	13	2,846	7	..	..	1,614	3,660	..	1,768	13,051	20,113
	Pericherla ..	1,031	20	2,949	7	3,237	6	..	..	2,080	480	..	12,181	5,611	20,352
		2,921	37	7,321	15	7,929	13	..	..	3,694	6,640	..	46,541	50,302	1,07,197

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed, manure, cattle, implements, etc.). (21)	Improvements to land. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative credit societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS					RS.
6. NELLORE DISTRICT.													
Nellore ..	Pedur	10,443	12,410	4,847	..	1,22,744	5,018	483	..	..	..	..	1,600
	Ammancherla ..	39,968	4,695	426	11,134	9,771	6,758	..	..	..	..	..	..
	Pidathapolur ..	34,761	4,800	190	2,017	9,201	11,329	..	..	..	..	..	..
		86,172	21,905	5,463	13,151	1,41,716	23,105	483	..	..	..	..	1,600
7. CUDDAPAH DISTRICT.													
Cuddapah ..	Gurnapadu ..	10,600	1,000	..	..	29,200	..	..	..	..	..	..	..
	Etur	9,000	400	..	..	600	..	..	..	..	..	..	..
	Vetukuru	16,200	8,180	620	..	8,497	4,560	1,000	..	..	..	..	..
		35,800	9,580	620	..	38,297	4,560	1,000	..	..	..	..	..
8. KURNOOL DISTRICT.													
Kurnool	N. Konthalpadu ..	23,700	19,420	..	6,872	4,350	12,390	..	..	..	..	..	..
	Mandyalpad ..	90	6,046	..	1,222	8,838	1,450	..	..	..	..	..	20
	Pericherla	3,670	3,374	..	2,803	4,574	5,831	100	..	..	..	..	..
		27,460	28,840	..	10,897	17,762	19,671	100	..	..	..	..	20

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head.	Occupied area.	Debt per acre.	Assessment.	Debt per rupee of assessment.	Debt on security of immovable properties. From Government.	From co-operative credit societies.	From money lenders.	From others.	Debt without security. From co-operative credit societies.	From money-lenders.	From others.	Total debt.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
9. BELLARY DISTRICT.															
Adoni ..	Kamavaram ..	959	50	3,482	13	3,301	14	..	..	21,032	..	..	23,683	2,460	47,115
	Belagallu ..	1,212	58	4,222	17	2,992	23	..	..	27,401	..	..	37,178	6,071	70,650
	Pedakalur ..	1,767	59	5,262	18	5,934	16	..	..	36,850	..	251	41,610	14,737	93,532
Bellary ..	Paramadevanahalli.	353	129	1,581	28	1,701	27	8,388	..	16,400	15,250	..	6,205	40,096	45,339
	Yalapikaggallu ..	928	49	3,251	14	4,451	10	3,752	..	..	9,200	..	..	32,070	45,222
	Chaganur	1,063	50	4,118	13	4,584	11	7,300	2,706	..	6,198	60	..	34,578	52,944
		6,282	56	21,916	16	22,963	15	19,440	2,706	1,01,683	30,648	311	1,08,676	1,29,952	3,54,802
10. ANANTAPUR DISTRICT.															
Dharmavaram ..	Gotlur	2,110	29	3,978	15	3,510	17	7,853	1,000	13,460	500	1,500	35,665	230	60,368
Hindupur ..	Kalur	1,785	106	3,240	60	3,459	54	25,000	9,000	1,14,750	..	3,000	22,950	..	1,90,000
	Challuru	2,095	62	2,020	65	2,526	54	10,000	9,500	68,000	..	3,700	40,000	..	1,31,200
	Parigi	3,311	48	4,675	34	7,748	21	25,000	15,900	63,000	..	5,800	41,000	..	1,60,700
Penukonda ..	Pedamanalluru ..	763	29	1,731	13	1,737	13	650	..	7,522	800	999	9,547	2,368	22,206

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed, manure, cattle, implements, etc.). (21)	Improvements to land. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative credit societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
9. BELLARY DISTRICT.													
Adoni	Kamavaram ..	4,762	20,346	52	7,371	10,797	2,294	..	..	..	..	..	..
	Belagallu	5,929	23,109	30	9,652	18,712	2,430	..	..	..	..	..	..
	Pedakalur	6,450	28,193	..	9,996	40,177	5,082	..	..	..	..	..	84
Bellary	Paramadevanahalli.	4,010	6,000	..	5,145	10,703	6,491	..	..	10,800	2,190	..	..
	Yalapikaggallu ..	3,050	6,150	..	15,355	9,106	3,126	..	1,460	4,975	2,000	..	200
	Chaganur	11,856	950	3,920	13,700	2,936	6,460	..	7,256	4,060	1,806	..	100
		36,057	84,748	4,002	61,219	92,431	25,883	..	8,716	10,835	5,996	..	384
10. ANANTAPUR DISTRICT.													
Dharmavaram ..	Gotlur	18,015	6,910	1,210	7,070	13,400	13,263	500	..	..	..	..	160
Hindupur	Kalur	1,14,000	19,000	9,500	..	19,000	19,000	9,500	..	..	..	..	15,300
	Challuru	72,000	10,500	400	5,500	22,800	20,000	..	..	..	..	..	..
	Parigi	1,00,000	12,000	8,000	8,700	12,000	15,000	5,000	..	..	..	..	10,000
Penukonda ..	Pedamanalluru ..	10,484	2,060	769	660	7,693	540	..	..	..	..	50	270

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head.	Occupied area.	Debt per acre.	Assessment.	Debt per rupee of assessment.	Debts on security of immovable properties. From Government.	From co-operative credit societies.	From money-lenders.	From others.	Debt without security. From co-operative credit societies.	From money-lenders.	From others.	Total debt.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
			RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
10. ANANTAPUR DISTRICT—*cont.*															
Penukonda ..	Nallur	617	40	2,027	12	1,601	15	1,170	250	7,915	610	864	13,054	350	24,213
	Talamarla	2,807	20	6,271	9	2,450	23	319	88	7,365	3,060	184	26,723	14,323	55,132
Kalyandrug ..	Kalyandrug ..	4,596	46	5,925	42	1,543	141	6,120	15,880	74,000	..	..	1,04,500	..	2,12,500
		18,084	47	29,867	29	24,574	34	76,112	51,618	3,56,012	4,970	16,047	2,93,439	17,271	8,56,319
11. CHITTOOR DISTRICT.															
Palmaner ..	Belugupalli ..	985	31	1,058	30	2,411	12	2,018	1,155	11,300	2,523	134	8,273	4,361	30,232
	Meluvoyi	1,534	19	1,557	19	2,300	14	1,000	115	24,195	..	..	2,977	50	28,760
		2,519	23	2,615	23	4,711	12	3,018	1,270	35,495	2,523	134	11,250	4,411	58,992
12. CHINGLEPUT DISTRICT.															
Saidapet ..	Ayyapakam ..	751	36	618	46	1,346	21	..	1,200	..	13,594	172	500	10,969	28,324
	Padi	844	46	545	72	1,375	29	1,750	3,630	..	10,015	..	156	21,354	38,932
		1,595	42	1,163	58	2,721	25	1,750	4,830	..	23,609	172	656	32,323	67,256

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed, manure, cattle, implements, etc.). (21)	Improvement to land. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.		RS.	RS.
10. ANANTAPUR DISTRICT.													
Pennkonda ..	Nallur	8,341	3,200	1,370	..	10,492	810	..	..	..	..	..	..
	Talamarla	31,834	2,530	1,818	900	17,570	480	..	..	..	..	..	3,070
Kalyandrug ..	Kalyandurg ..	91,015	19,750	..	..	50,705	9,900	100	4,103	..	..	..	12,000
		4,45,689	75,950	23,067	22,830	1,53,660	78,993	15,100	4,103	..		50	40,800
11. CHITTOOR DISTRICT.													
Palmaner ..	Belugupalli ..	13,386	5,684	346	..	5,054	950	..	..	4,812	..	..	468
	Meluvoyi	16,998	1,588	..	..	9,289	885	..	..	..	..	..	423
		30,384	7,272	346	..	14,343	1,835	..	..	4,812	..	..	891
12. CHINGLEPUT DISTRICT.													
Saidapet ..	Ayyapakam ..	3,150	4,827	..	923	3,879	11,215	1,200	..	..	..	..	941
	Padi	4,521	6,004	..	2,426	11,017	7,950	1,200	..	..	..	..	2,027
		7,671	10,831	..	,349	14,896	19,165	2,400	..	..	..	..	2,968

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk. (1)	Name of village. (2)	Population. (3)	Debt per head. (4)	Occupied area. (5)	Debt per acre. (6)	Assessment. (7)	Debt per rupee of assessment. (8)	Debts on security of immovable properties. From Government. (9)	From co-operative credit societies. (10)	From money-lenders. (11)	From others. (12)	Debt without security. From co-operative credit societies. (13)	From money-lenders. (14)	From others. (15)	Total debt. (16)
			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
13. SOUTH ARCOT DISTRICT:															
Vriddhachalam	Kammapuram	1,615	36	1,914	31	7,834	8	..	12,017	1,458	19,676	3,547	272	22,562	59,532
	Bhudanur	620	67	473	90	817	52	..	..	33	23,255	..	3,333	15,468	42,089
		2,235	45	2,387	44	8,651	12	..	12,017	1,491	42,931	3,547	3,605	38,030	1,01,621
14. NORTH ARCOT DISTRICT.															
Vellore ..	Sathuvachari ..	3,840	37	1,038	138	3,389	43	..	..	1,000	88,000	..	10,000	42,450	1,42,950
	Kilachur	1,266	57	855	85	4,146	18	..	15,073	10,285	..	34	39,720	..	72,365
	Senpakkam ..	1,906	29	572	90	3,518	16	925	6,446	19,825	1,450	632	13,435	11,690	56,000
		7,012	38	2,465	109	11,053	24	925	21,519	31,110	89,450	666	63,155	54,140	2,70,315
15. TANJORE DISTRICT.															
Shiyali ..	Kilamattur ..	751	203	805	192	6,530	27	150	700	67,700	27,800	500	8,400	45,700	1,52,300
	Mangamadam ..	904	59	820	65	2,400	22	..	6,000	4,200	500	..	21,600	20,700	53,400
	Kodavasal	630	59	421	90	3,316	11	..	2,500	10,200	2,600	200	14,900	6,600	37,500
		2,285	106	2,046	120	12,246	20	150	9,200	82,100	30,900	700	44,900	73,000	2,43,200

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed manure, cattle, implements, etc.). (21)	Improvement to land. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS	RS.
13. SOUTH ARCOT DISTRICT.													
Vriddhachalam	Kammapuram	29,882	6,306	801	5,040	14,512	..	..	1,196	1,092	703	..	..
	Bhudanur	22,237	7,536	302	1,237	4,085	208	..	2,444	4,038	..	..	..
		52,119	13,842	1,103	6,277	18,597	208	..	3,640	5,130	703	..	..
14. NORTH ARCOT DISTRICT.													
Vallore ..	Sathuvachari ..	25,000	30,000	1,000	52,950	2,000	1,000	1,000	..	..	..	..	1,500
	Kilachur	35,427	3,164	..	1,239	4,265	7,036	..	..	..	..	4,653	2,600
	Senpakkam ..	30,935	4,485	200	3,130	1,570	14,680	..	..	..	..	..	597
		91,362	37,649	1,200	57,319	7,835	22,716	1,000	..	..	..	4,653	4,697
15. TANJORE DISTRICT.													
Shiyali ..	Kilamathur ..	20,900	11,500	500	22,400	7,400	18,100	1,500	20,000*	50,000	..	..	1,350
	Mangamadam ..	500	9,000	..	4,000	1,600	5,200	6,000	..	16,400	10,200	..	400
	Kodavasal	15,300	13,500	..	..	1,800	100	..	3,600	2,800	400	..	500
		36,700	34,000	500	26,400	10,800	23,400	7,500	23,600	69,200	10,600	..	2,250

* Includes Rs. 1,500 under litigation charges.

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head.	Occupied area.	Debt per acre.	Assessment.	Debt per rupee of assessment.	Debts on security of immovable properties. From Government.	From co-operative credit societies.	From money-lenders.	From others.	Debt without security. From co-operative credit societies.	From money-lenders.	From others.	Total debt.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
16. TRICHINOPOLY DISTRICT.			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Trichinopoly.	Adavattur	4,438	9	2,234	18	2,828	14	700	400	..	20,015	610	4,075	14,185	40,085
	Tiruvarambur ..	1,500	7	704	12	3,081	3	..	1,046	..	5,300	285	..	1,525	8,186
	Alluru	1,679	54	691	130	7,077	13	12,000	20,022	..	..	..	..	60,000	92,022
		7,617	19	3,629	39	12,986	11	12,700	21,468	..	25,315	895	4,075	75,710	1,40,293
17. MADURA DISTRICT.															
Melur ..	Yettimangalam ..	1,230	70	922	93	7,617	11	3,700	7,394	4,950	54,580	..	150	14,480	86,054
	Pattavettangudi ..	1,281	68	1,045	87	7,548	11	1,324	5,244	48,320	18,095	..	2,065	6,663	87,230
	Chittampatti ..	976	91	307	29	3,100	24	1,000	..	72,500	..	..	15,130	..	88,630
	Kodikulam ..	2,731	48	1,374	98	13,396	10	1,300	15,715	56,442	..	..	57,188	..	1,30,645
	Peykulam ..	1,234	43	161	327	1,643	33	..	..	36,795	..	..	15,597	..	52,392
		7,452	60	3,809	117	33,304	14	7,324	28,353	2,19,007	72,675	..	90,130	21,143	44,9 51

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed manure, cattle, implements, etc.). (21)	Improvements to lands. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative societies. (27)	From money-lenders. (28)
16. TRICHINOPOLY DISTRICT.		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Trichinopoly..	Adavattur	..	..	..	..	39,885	200	..	..	..	..	100	..
	Tiruvarambur ..	5,005	1,005	..	..	2,176	..	..	..	..	..	..	30
	Alluru	..	40,000	..	..	8,000	42,022	2,000	..	..	..	..	..
		5,005	4,1005	..	..	50,061	42,222	2,000	..	..	..	100	30
17. MADURA DISTRICT.													
Melur ..	Yettimangalam ..	33,814	4,350	..	18,450	7,160	16,680	5,600	..	..	..	..	800
	Pattavettongudi ..	24,840	7,315	517	15,382	8,923	30,254	..	..	..	..	306	5,214
	Chittampatti ..	37,225	..	1,110	15,310	11,960	1,100	..	2,000	8,825	11,100	..	..
	Kodikulam ..	35,564	..	5,700	25,400	23,851	8,510	..	..	27,200	4,420	..	..
	Peykulam	15,255	..	..	5,845	6,032	..	..	..	20,735	4,525	..	..
		1,46,698	11,665	7,327	80,387	57,926	56,544	5,600	2,000	56,760	20,045	306	6,014

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head.	Occupied area.	Debt per acre.	Assessment.	Debt per rupee of assessment.	Debts on security of immovable properties.				Debt without security.			Total debt.
								From Government.	From co-operative credit societies.	From money-lenders.	From others.	From co-operative credit societies.	From money-lenders.	From others.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
18. RAMNAD DISTRICT.			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.		RS.	RS.	RS.	RS.
Sattur ..	Vachakarapatti ..	1,038	71	..	..	..	..	..	26,513	11,500	..	14,427	17,400	..	70,915
	Mettupatti ..	1,436	39	3,028	18	3,484	15	1,150	200	39,450	..	720	13,600	..	55,120
	Veluvadi	1,621	18	1,493	18	3,705	8	..	..	26,000	..	..	2,000	..	28,000
	Mudithalingalapuram.	776	80	2,041	30	2,894	21	3,956	2,740	35,732	..	4,330	14,312	..	61,070
		4,871	45	6,562	33	10,083	21	5,106	29,453	1,12,682	..	19,477	47,312	..	2,15,105
19. TINNEVELLY DISTRICT.															
Ambasamudram.	Vadakukarakurichi.	2,446	21	696	72	12,535	4	..	..	15,000	..	..	35,000	700	50,700
	Adichari ..	1,832	17	1,033	30	4,108	8	1,650	..	22,235	..	..	64,000	..	30,285
		4,278	19	1,729	47	16,643	5	1,650	..	37,235	..	..	99,000	700	80,985

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt to security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed manure, cattle implements, etc.). (21)	Improvements to lands. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.		RS.
18. RAMNAD DISTRICT.													
Sattur ..	Vachakarapatti ..	25,888	1,270	1,575	1,680	23,422	4,000	..	..	11,505	1,575	..	1,075
	Mettupati	10,200	6,100	..	..	10,810	1,150	..	5,900	20,900	..	..	..
	Veluvadi	7,000	..		1,000	800	1,200	..	..	18,000	..	..	..
	Mudithalingalapuram.	52,614	4,500	..	..	2,632	1,324	..	..	..	..	..	..
		95,702	11,870	1,575	2,680	37,664	7,674	..	5,900	50,405	1,575	..	1,075
19. TINNEVELLY DISTRICT.													
Ambasamudram.	Vadukkukarakurichi.	10,000	10,000	2,000	9,000	23,700	..	3,000	..	..	..	..	..
	Adichari	16,360	5,175	..	..	400	1,450	400	..	6,000	..	..	..
		26,860	15,175	2,000	9,000	24,100	1,450	3,400	..	6,000	..	..	..

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Population.	Debt per head.	Occupied area.	Debt per acre.	Assessment.	Debt per rupee of assessment.	Debts on security of immovable properties.				Debt without security.			Total debt.
								From Government.	From co-operative credit societies.	From money-lenders.	From others.	From Co-operative credit societies.	From money-lenders.	From others.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
20. SALEM DISTRICT.			RS.	ACS.	RS.	RS.	RS	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Dharmapuri ..	Krishnapuram ..	1,455	21	1,693	18	2,825	11	1,051	9,156	13,520	921	292	3,050	1,580	30,050
	Nettapalli ..	1,533	15	1,984	11	2,014	11	970	..	8,695	5,320	..	3,565	4,375	22,975
		2,988	18	3,677	14	4,839	11	2,021	9,156	22,215	6,241	292	6,615	6,955	53,025
21. COIMBATORE DISTRICT.															
Gobichetti-palaiyam.	Kadachelliyapalem.	490	80	551	71	616	61	..	3,230	..	25,395	1,100	2,320	7,435	39,480
	Koshanam	4,380	29	4,389	30	5,493	24	1,500	9,040	..	97,120	365	5,947	1,380	1,27,054
	Kambliampatti ..	1,572	32	1,797	28	2,534	21	1,400	22,425	14,527	..	..	12,765	..	51,167
Erode	Graynagar ..	299	11	448	8	597	6	..	1,163	..	..	130	1,373	..	3,410
	Nagamanaikam-palem.	466	120	131	433	879	61	..	..	29,700	..	..	26,670	..	56,370
		7,207	38	7,316	38	10,149	27	2,900	35,858	44,227	1,22,515	1,595	49,075	8,815	2,77,481

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing.										Debt on security of movable properties.	
		Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed, manure, cattle, implements, etc.). (21)	Improvements to lands. (22)	Education of children. (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	From co-operative societies. (27)	From money-lenders. (28)
20. SALEM DISTRICT.		RS.	RS.	RS.	RS.	RS.	RS.			RS.	RS.		RS.
Dharmapuri ..	Krishnapuram ..	15,126	3,980	40	..	3,029	1,875	..	..	..	..	..	480
	Nettapalli ..	13,330	1,540	26	754	2,885	4,440	..	..	..	..	..	50
		28,456	5,520	66	754	5,914	6,315	..	..	..	..	..	530
21. COIMBATORE DISTRICT.													
Gobichettipalaiyam.	Kadachelliyapalem	17,475	700	..	..	15,530	5,775	..	..	..	..	..	..
	Koshanam	60,453	14,417	..	..	44,362	7,822	..	..	..	..	..	..
	Kambliampatti ..	11,100	..	365	3,935	11,592	..	..	..	23,415	760	..	..
Erode	Graynagar ..	..	..	..	1,746	1,498	..	..	..	..	166	..	744
	Nagamanaikampalem.	21,750	..	1,300	11,550	4,720	..	..	..	13,300	3,760	..	..
		1,10,778	15,117	1,665	17,231	77,702	13,597	..	..	36,715	4,676	..	744

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk. (1)	Name of village. (2)	Population. (3)	Debt per head. (4)	Occupied area. (5)	Debt per acre. (6)	Assessment. (7)	Debt per rupee of assessment. (8)	Debts on security of immovable properties. From Government. (9)	From co-operative credit societies. (10)	From money-lenders. (11)	From others. (12)	Debt without security. From co-operative credit societies. (13)	From money-lenders. (14)	From others. (15)	Total debts. (16)
22. MALABAR DISTRICT.			RS.	ACS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Kurumbranad.	Kunnumal	1,914	37	705	102	1,863	39	..	1,000	34,968	27,380	1,295	5,781	..	71,807
	Melur	1,802	8	589	22	1,568	8	250	..	8,000	..	..	3,000	..	12,750
	Uralankal	1,114	73	479	190	1,377	58	..	..	37,139	23,535	1,126	11,356	2,340	81,425
		4,830	34	1,773	94	4,808	34	250	1,000	80,107	50,915	2,421	20,137	2,340	1,65,982
23. SOUTH KANARA DISTRICT.															
Kasaragod ..	Kudlu	3,991	73	1,407	200	6,026	47	705	35	..	2,28,155	..	..	52,078	2,86,933
	Pallikara	7,693	35	2,383	118	8,284	33	..	..	..	1,71,524	12,009	..	85,074	2,72,522
	Udiyar	2,036	29	537	111	2,467	24	..	1,654	..	31,544	1,073	..	20,470	59,029
		13,720	45	4,327	143	16,777	37	705	1,689	..	4,31,223	13,082	..	1,57,622	6,18,484

Statement showing particulars of debt furnished by Tahsildars and Investigators in some villages in the districts—*cont.*

Name of district and taluk.	Name of village.	Purpose of borrowing. Payment of prior debts. (17)	Marriages and other ceremonies. (18)	Payment of land revenue. (19)	Relief of distress. (20)	Agricultural expenses (seed, manure, cattle, implements, etc.). (21)	Improvements to lands. (22)	Education of children (23)	Trade. (24)	Purchase of land. (25)	Construction of houses. (26)	Debt on security of movable properties. From co-operative societies. (27)	From money-lenders. (28)
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
22. MALABAR DISTRICT.													
Kurumbranad.	Kunnumal	30,473	2,046	..	1,387	1,000	13,285	Nil.	1,144	12,455	3,139	..	2,283
	Melur	7,000	1,500	..	..	3,250	1,000	..	..	..	..	..	1,500
	Uralankal	42,486	5,165	..	8,239	1,614	3,631	..	2,815	4,890	4,789	..	5,929
		79,959	8,711	..	9,626	5,864	17,916	..	13,959	17,345	7,928	..	9,712
23. SOUTH KANARA DISTRICT.													
Kasaragod ..	Kudlu	1,93,524	8,386	..	8,236	71,987	4,800	..	..	..	..	1,850	4,110
	Pallikara	1,11,649	15,365	8,050	78,084	22,379	33,777	3,218	..	..	..	..	3,915
	Udiyar	49,198	4,403	..	..	1,622	3,306	500	..	..	..	..	4,288
		3,54,371	28,154	8,050	86,320	95,988	41,883	3,718	..	..	..	1,850	12,313

Debt on population basis.

I. In three districts we considered the figures given by Tahsildars unreliable after questioning them but for the rest an average debt of Rs. 38 per head is arrived at. This for 42 millions gives a total debt of Rs. 160 crores. These figures were taken out just before the main harvests, that is in December and early January when debt was at its maximum.

The figures arrived at from enquiry in a smaller number of villages by the Committee's Investigators work out at 61 per head and was taken slightly before the Tahsildars' reports. This would give a total figure of Rs. 256 crores.

Debt on acreage basis.

II. Worked out on an acreage basis we get from the Tahsildars' figures an average debt per acre of Rs. 48 and this for 26,282,000 acres gives a total debt of Rs. 126 crores. But taking the total of the Tahsildars' and Investigators' figures we get an average for the

	Per acre.
	RS.
Northern Circars	62
Ceded districts	23
Tamil districts	62
West Coast	65
Average ...	53

and the total on this average is Rs. 149 crores and it will be observed that the only uniformly poor area—the Ceded districts—has much the lowest average debt per acre.

Debt on assessment basis.

96. Turning now to the debt per rupee of assessment or rent, a figure which should show some uniformity, for the debt and the assessment both depend on the value of land, we get the following district averages:—

Ganjam ...	8	Tanjore	20
Godavari ...	19	Trichinopoly ...	11
Guntur ...	10	Madura	14
Nellore ...	12	Ramnad	21
Cuddapah ...	12	Salem	11
Kurnool ...	13	Coimbatore ...	27
Bellary ...	15	Malabar ...	34
Anantapur ...	34	South Kanara ...	37
Chittoor ...	12		
Chingleput ...	25		371
South Arcot ...	12		
North Arcot ...	24		

giving an average for the Presidency of Rs. 19 per rupee of assessment.

At this rate on an assessment of Rs. 5,69,00,000 on ryotwari lands the debt is Rs. 108·1 crores, and at the same rate on a rental of Rs. 2,36,00,000 on zamindari land including whole inams, etc., the debt is Rs. 44·8 crores, the total being Rs. 153 crores.

Debt according to Settlement Reports.

97. According to Settlement Reports of Bellary, Anantapur and Tanjore (1920 and 1921) the total debt of the Presidency on the population basis (average Rs. 51 per head) is Rs. 214 crores. According to Settlement Reports of Bellary, Anantapur and Tanjore (1920 and 1921) the total debt of the Presidency on the acreage basis (average Rs. 33 per acre) is 153 crores.

Total estimated debt.

98. Each source from which we have taken these figures cannot by itself be regarded as very reliable, but considering all these facts we consider that at the maximum in the year the total debt is in the neighbourhood of 150 crores of rupees and that the debt which continues from year to year is at present about Rs. 70 crores.

99. Though the bulk of this debt is secured on land and though the vast majority of it is agricultural, it is not possible to ascertain precisely how much should be classified as agricultural and how much as industrial (non-agricultural industries) or commercial or domestic.

Causes of indebtedness.

100. As to the cause of indebtedness there is the outstanding fact that ryots borrow to grow their crops and pay the domestic expenses just as a large number of weavers get the yarn from the small local merchant on credit and an advance of pay to weave cloth to be sold back to the petty dealer and return the cloth to him for sale, when there is credited the supposed value and so it goes on. Similarly the ryot borrows from the local small merchant in the village, from the dallal or merchant in the town and from his fellow ryot while the tenant farmer borrows also from the landlord and repayment is made from the crop. But frequently the debt is not repaid in full and a part of the loan persists and becomes a pro-note debt. In the course of time it may with a lucky year be paid off or it may become a mortgage debt. It has been represented on behalf of the co-operative societies that by the existence of this heavy persisting debt the creditor takes the bulk of the produce and leaves the ryot unable to repay short-term loans. But equally the original short-term loan has produced the long-term debt and there is a vicious circle. The ryot cannot clear his short-term debt because of the mortgage creditor and he cannot cultivate without borrowing because his crop goes largely to the long-term creditor. If he pays his long-term creditor his current debts swell and overwhelm him. This is the argument put forward to support the practice of co-operative credit societies' lending for ten years. The only defect in the argument is that it ignores the safety of the bank itself. Doubtless if the co-operative credit society could take over the whole of a ryot's debt and allow him to pay in easy instalments a burden would be lifted from his shoulders. But for how long would he remain free and how regularly would he repay? Why did the small loan accumulate until a mortgage was unavoidable?

Purposes of loans.

101. The actual purposes for which the ryots borrowed in all the villages where enquiries were made by Tahsildars and our own Investigators work out in the following proportion:—

Payment of prior debts	37
Marriages and other ceremonies	10
Payment of land revenue	2
Family expenses and relief of distress	9
Agricultural expenses	20
Land improvement	9
Education	1
Trade	3
Purchase of land	8
Construction of houses	1
Total ...	100

But the Investigators' reports show the following figures for 12 villages investigated in the four districts named:—

—	East Godavari.			Bellary.			Madura.			Coimbatore.			Average.
	1	2	3	1	2	3	1	2	3	1	2	3	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Payment of prior debts.	49	35	24	5	7	23	42	27	30	22	..	39	25
Marriages and other ceremonies.	4	1	1½	7	12	1	..	..	..	..	..	..	2
Payment of land revenue.	3	1½	7	..	..	8	1	4	.	..	..	2	2
Family expenses and relief of distress.	19	1½	20	6	36	.5	17	20	11	8	51	21	20
Agricultural expenses.	8	4	3½	12	21	6	14	19	11	23	44	8	15
Improvement for land.	1	..	..	7	7	12	1	6	..	..	..	..	3
Education	..	½	..	..	..	..	..	..	..	.	..	..	..
Trade or business ..	9	39	1½	47	2	13	2	..	..	..	..	..	9
Purchase of land ..	4	17	34½	13	11	8	10	21	40	46	..	24	19
Construction of houses.	3	½	8	3	4	4	13	3	8	1	5	6	5
													100

Effects of indebtedness.

102. It has many times been urged by ryots in disparagement of co-operative societies that the latter require ryots to repay in full and take coercive action if it be not done. The money-lender's interest may be high, but he does not press for repayment. Herein lies much of the evil and on this is based the statement of one witness "The first step towards the acquisition of a piece of land is to lend money to the owner". "The ryot is eager to borrow but not so eager to repay" as one Tahsildar has put it to us and the creditor does not press the matter so that between the two the loan is allowed to swell and multiply. The ryot in fact in

many cases lives largely on what he borrows while his crops go to the creditor who keeps the account. Add to this the fact that at any one time a substantial sum may be required for ceremonial occasions including marriages and for occasional heavy expenditure —heavy manuring or deep ploughing, levelling up land and so forth—all this goes to swell the debt. The ryot is accustomed to borrowing but repayment is, in his view, a thing to be evaded. There is always a chance that something may happen to the creditor and the debt be cancelled and, considering that the ryot's life, except when conditions are more stable and rates of interest are less exorbitant as in the big deltas, is one long gamble with nature over the rainfall with, in some districts, odds on a good season and in others fairly long odds against such a happy event, it is not surprising if he takes a risk. He may, if he is lucky, evade repayment; on the other hand he may lose his land in a court sale.

103. So far only debts ascertainable in cash have been considered, but there is a great deal of borrowing in small amounts of grain. This again is commonly repaid in kind at the harvest and one-fourth extra as interest regardless of the period the loan has been running is an ordinary rate of interest. It is not practicable to make any estimate of the total amount of loan of this kind. Grain debts.

104. This is not the whole picture. The statements we have show fairly large items of borrowing for purchase of land and for improvements to land. All debt is not an evil. A great deal is beneficial. The ryot who has some funds may do well to borrow and buy some more land. It is often worth while to borrow to dig a well and the rate at which such persons with good credit can borrow is not always exorbitant and they have enough intelligence and foresight to avoid making a bad bargain over the funds they borrow. Productive debt.

105. Then again a great deal, probably much more than half, of the money-lending is done by ryots. The more well-to-do ryots have a surplus to invest. It pays them to lend almost all they have and to borrow for their cash requirements later in the year. This debt is a beneficial one to the borrower. It is not to the interests of such people to have no such debts. But it is not possible to give any estimate of the proportion of the rural debt which should be regarded as beneficial—for it is to some extent a matter of opinion whether particular items are beneficial or not—and of the part which must be taken to be in the nature of a millstone round the neck of the cultivator, but it is certain that for the bulk of ryots and for all the poorer ones the debt they owe is a burden under which they can only struggle on. Certainly it is not growing less. The present annual crop of mortgages registered is thrice that found 30 years previously by Nicholson but the land also has greatly increased in value. On the other hand there have been no great Ryot money-lenders.

variations in land values in the last ten years and it is curious that the annual value of mortgages registered has remained at so steady a figure.

106. The manner in which this figure of mortgage debt has grown from the figure quoted in Nicholson's report is shown in the subjoined statement.

Particulars of instruments of mortgages and bonds executed in the various districts of the Presidency during the years 1895—1928.

Year.	Instruments of mortgage		Bonds or obligation for payment of money.	
	Number.	Aggregate value.	Number.	Aggregate value.
		RS		RS.
1895-96	363,993	7,49,60,530	24,503	84,12,225
1896-97	352,193	7,21,25,986	23 393	52,80,486
1897-98	373,754	7,68,60,953	24,006	60,20,425
1898-99	368,998	7,53,14,713	21,436	51 32,290
1899-1900	364,811	7,75,75,561	20,626	47,62,151
1900-01	410,746	8,25,14,728	20,746	48,48,908
1901-02	411,989	8,29,23,837	20,968	49,13,462
1902	384,057	8,11,40 299	19,923	49,67,738
1903	380,400	7,69,96,330	16,836	44,92 349
1904	366,666	8,19,78,988	15,871	39,35 200
1905	450,402	8,80,87,142	18,052	44,83,465
1906	483,218	9,88,52,441	18,779	43,49,093
1907	504,030	10,52,87,218	18,568	50,71,025
1908	519,518	11,47,90,784	18 457	53,42,227
1909	531,976	12,05,58,403	18,952	61,55,140
1910	520,831	12 33,63,327	19,681	62,52,928
1911	528,987	13,02,00,237	20,988	62,81,409
1912	569,609	14,61,92,551	23,438	75,28,280
1913	563,604	15,14,87,657	24,178	75,03,825
1914	532,331	14,78,98,968	24,591	80,30,783
1915	518,178	15,03,71,306	25,206	82,32,570
1916	539,585	15,79,31,266	25,505	1,04,62,693
1917	529,597	15,58,19,013	26,352	1,03,21,961
1918	540,163	17,07,40,138	25,719	1,08,70,219
1919	639,606	20,27,63,990	29,371	1,61,11,449
1920	593,933	20,62,08,902	29,374	1,87,06,741
1921	593,761	20,84,81,946	28,196	2,34,76,598
1922	500,301	19,66,60,355	25,458	1,99,66,886
1923	490,096	19,07,61,541	28,486	2,17,50,994
1924	506,918	19,94,18,477	30,669	2,39,68,085
1925	508,355	20,10,06,341	30,335	2,49,37,524
1926	494,227	19,71,02,316	29,857	2,46,06,099
1927	525,747	20,56,72,473	33,952	3,99,07,501
1928	510,974	19,87,43,259	32,255	3,43,26,954

It will be seen that it increased fairly steadily from 1895 to 1917 roughly doubling itself over that period but in 1918 there was a very big rise and since then the figure has been constant. It will further be observed that though the value has increased the number of documents involved has increased in a far lower proportion and the same remark applies to the registered bonds.

Effects of indebtedness—land sales.

107. The effect of such indebtedness is the constant change in ownership of land. But the bulk of the lending is done by ryots and the land changes hands from one ryot to another. A ryot is thrifty and hardworking and he accumulates wealth and lands; his successor neglects it and wastes his substance ; the land is sold to pay off the debts. Not a great deal passes out of the hands of the cultivating classes ; the professional money-lenders are generally not anxious to take the land so long as the cultivating ryot is docile. If he buys in the land, he must sublet it probably to the same ryot. He gets little or no more from it by owning it and subletting than he did before when the ryot cultivated and the money-lender got most of the crop and the debt has been liquidated, so that he has no hold over the ryot. It was the fashion some few years ago for Chettiyars to buy lands and they began to become landed proprietors but it was apparently little more than a fashion. They could get better investments for the money in other directions and have apparently given up buying land to any considerable extent.

Inefficiency of cultivation.

108. The effect of the debt undoubtedly is, however, that the ryot does not get such a return from the land as to induce him to make serious attempts to grow a bigger crop. Even apart from the general demoralizing effect of being constantly in debt to another, the fact that another person will get the lion's share of the produce will damp the ardour of the most enthusiastic. The debt thus results in inefficiency and the effect it has on the ryot's credit means that he has not and cannot easily get enough money to put into cultivation to yield a first-class crop seed, manuring, cattle, implements must be reduced to the cheapest that can be got.

Marketing of produce.

109. It has also a marked effect on the marketing of the produce for so long as the ryot is obliged to take his produce to his financier there is no prospect of his being able to market his crop on the terms and in the manner most favourable to himself.

Sources of loans and conditions of borrowing.

110. The loans come in the main from the money-lenders but the money-lenders are not in the majority of cases the professional money-lender and the merchant. The following statement shows the percentage of loans advanced by the several financing agencies in the villages examined by our own Investigators:—

—	Imperial Bank.	Government.	Professional money-lenders.	Ryots.	Co-operative societies.
East Godavari village 1 ..	..	..	48	7	45
Do. 2 ..	22	..	36	12	30
Do. 3 ..	..	..	53	25	22
Bellary .. .. 1 ..	..	10	26	64	..
Do. .. .. 2 ..	..	8	37	55	..
Do. .. .. 3 ..	..	14	46	35	5

—	Imperial Bank.	Government.	Professional money-lenders.	Ryots.	Co-operative societies.
Madura 1	..	..	56	43	1
Do. 2	..	1	55	32	12
Do. 3	..	..	..	100	..
Coimbatore 1	..	3	4	49	44
Do. 2	5	..	..	57	38
Do. 3	..	..	16	84	..
Average	2	3	31	47	17

The pride of place in regard to volume of loans must then be given to the ryot-money-lender and this is in accordance with other statements we have received. The ryot combines in many cases with farming a little money-lending and trade and when he lends money on land there is a considerable chance that that land will pass into his hands. The conditions of such loans are in the first place that the crop shall go to the creditor commonly on pre-stated terms but the rates of interest vary greatly. A good first mortgage can ordinarily be got anywhere at 12 per cent but for unsecured loans and for large doubtful mortgages 15 per cent to 18 per cent are the common rates while 24 per cent, particularly in the Ceded districts, where crops are precarious and credit proportionately low, is not an uncommon rate, but as we have already said a great deal of business is done at 12 per cent and 15 per cent. The rate is not the only evil or even the principal one. Repayment is forced at the harvest and crops are taken over in payment at a low price. The weighment or measurement is often in the hands of the creditor so that though much grain changes hands the debt is not reduced as it should be.

Rates of interest.

111. If the money-lender, however, governed his rates according to the security offered and to facility for recovering loans there would be little complaint but when he increases the rate on account of the ignorance of the borrower or the lack of finance from other sources or the urgency of the need then there is a strong case for educating the ryot and for controlling rates and for providing alternate sources of finance. Only in one or two cases has it been represented to us that rates have gone up on account of the need for more funds than were available with the local financiers while it is undoubtedly the case that co-operative societies have in places where they are active brought down the general level of lending rates. We have had occasion to observe that the lending rate is influenced by the facility for recovery of the loan and for realizing the security offered. This is a common place and it only remains to point out that when the sale of land is unrestricted it is of greater value as security and the loan being more readily realisable, the rates are accordingly at a lower level. As an instance of this difficulty of realisation we may quote the fact that the bulk

of Chettiar money-lending has gone out of South India to Burma and Federated Malay States, Straits and Cochin China.

112. The merchant is another creditor. He advances money not because he wants to invest but because he wants to get the crop as cheaply as possible for purposes of trade. The advances so made are to cultivate the crop. He does not, however, take any steps, if any steps were possible, to ensure that his advances are only so used. He takes his repayment when the crop comes to him but it does not always come. He may be cheated and the crop be taken to another or the crop may fail, particularly if it be in the Ceded districts, and in the latter event he will probably have to advance more for the next crop, otherwise he gets back nothing. In this way there is a tendency for the merchant or dallal to become more a money-lender and less a merchant with his money more and more out in loans and less available to finance his own trade. If he has borrowed, as he sometimes must, his resources become less fluid until finally he fails. We were informed that there has been a number of such failures recently in Bellary. Merchant money-lenders.

113. The next creditor is the co-operative society, which has been dealt with elsewhere, and finally there is the Government with its takavi loans for land improvements and for agriculturists' requirements. These loans have an excellent feature in them: the creditor insists on repayment. Neither the Government nor the co-operative society is interested in getting the land; they do not want to sell up the ryot but they want their money back. Undoubtedly this in the long run is good for the ryot for he suffers and has suffered much from his own slackness and from the money-lender's connivance. The long persisting debt is the amount that requires to be discharged. There are only two ways of discharging it. One is to pay and the other is to go through the bankruptcy court. The Insolvency Act is dealt with elsewhere, but here it is necessary to discuss facilities for paying off such debts. Lending by Government and co-operative societies—takavi loans.

114. To facilitate payment it is possible in many cases to convert the debt into co-operative debt at a lower rate of interest allowing more lenient and more specific term of repayment. There is a section which can at 9⅜ per cent be repaid within five years. The ordinary credit society can deal with these. There are others which would be repaid in 15 or 20 years at 9 per cent if a land mortgage bank could be organized to finance these debts. Beyond that there is a limit of debt which cannot be liquidated by granting a fresh loan at any rate of interest at which it is practicable to grant such loans. Facilities for discharging debt.

115. But a considerable amount of debt, we are informed, is kept going by borrowing from one sowcar to repay another. It was, for example, asserted that a ryot in debt borrowed a takavi

loan ostensibly for the purchase of cattle and paid off the money-lender who had become urgent in his demands. A colourable imitation of a bull was produced for the Tahsildar's inspection and the Government was ultimately repaid by borrowing from the co-operative society which again was repaid by a loan from the money-lender ; and so it went on, the debt growing a little more or less according to the season. This undoubtedly does occur ; it is common as alternating between the money-lender and the co-operative society but much less common for the takavi loans to be involved in the cycle.

Ryots' attitude towards money-lenders.

116. We have so far considered the debt from the point of view of the ryot. There is the money-lender's point of view. The money-lender is generally regarded in the village as an establishment and as a human being. He is not universally hated and there are only rare cases in which he has been murdered on account of his exactions. Doubtless the possibility of such an occurrence has a chastening and moderating influence on occasions and there are undoubtedly cases in which the exactions of the sowcar have become intolerable but they are rare. The money-lender is generally not viewed with particular disfavour. All villagers are far too accustomed to borrowing to worry greatly about him. He provides cash as required and grain and will sell on credit. On the other hand it is uncommon for the ryot to go out of his way to repay a money-lender and the fullest possible advantage is taken of the law's delays, by procrastination in court and by evading or circumventing the court's efforts on behalf of the decree holder.

Difficulties of creditors.

117. An examination of the costs of such litigation has been made and the result does not show that the creditor is favourably placed. He must spend much to get and execute a decree. Several representations have been made to us of the difficulty accruing to the creditor from the growing practice of the ryot going to the bankruptcy court. One Tahsildar has remarked to us "The sense of public honesty possessed by the ryot is low" and whether or not we regard this as a fact, it is evident that if the ryot is to obtain credit for his notes and to get his debt financed on the best term possible he must himself mend his ways.

Measures to improve ryots' economic condition.

118. The steps that are in fact called for to assist the ryot to better his position are three-fold. His education needs improvement; both academic and technical, academic to teach him the three r's and enable him to assimilate the technical, which must be directed both to the scientific and business aspects of agriculture. The Agricultural Department is there to deal with the scientific side, while the Co-operative must concern itself with the business aspect—marketing and finance, and the co-operative institutes and societies can help considerably and be developed.

119. To provide for better finance under the long-term loans requisite for dealing with the problems discussed in this chapter the only practicable solution so far evolved is the land mortgage bank. It is recommended that these be cautiously developed. More will be said on the matter in the Chapter on Co-operation. The only other sources of long-term loans are the Government which has a limited fund available. Land mortgage banks.

120. The need for reducing the law's delays in litigation and execution will also be discussed elsewhere more fully.

CHAPTER V.

Credit Facilities required for Cultivation Expenses, Payment of Rent and Domestic Expenditure.

121. The agricultural community may be divided into two classes—those who lend and those who borrow. The vast majority are the borrowers. Those who go on cultivating from year to year using the proceeds of one crop to maintain themselves and provide for the next crop are exceedingly few. Many have such holdings that this is possible so long as things go smoothly but an expensive marriage or a failure of crop is generally enough to upset such smooth working and few ryots can avoid both of these pitfalls. Any ryot with a little to spare lends it or buys more land. The majority borrow. Borrowing.

122. The amount which ryots must borrow for cultivation expenses which include some or all of a number of items varies according to the locality, the nature of the crop, the size of the holding, the number of persons in the family available to work on the land and other factors.

123. In many places, particularly where grazing is scarce, it is customary for ryots to buy cattle before the sowing season and to sell them again when they are no longer required. These are constantly recurring items of expenditure. Cattle so purchased are generally poor in quality not involving a very heavy outlay but they have to be fed through the cultivation season when they are in work and they do not eat any less for being inferior animals. The actual cultivation expense is the difference between the buying and the selling price plus the cost of maintenance in the meantime, but the full initial amount has to be found. It is found of course by borrowing. Another large body of cultivators, on the whole the more numerous except among the very small holders, buy their cattle, keep them for about four years according to age and condition and then sell again, using them when they can for carting purposes when not required for agriculture. The smallest ryots do not but hire their plough team from the more well-to-do ryots in their village. This provision for ploughing is the first item of expenditure for the year. In the deltas the silt Cultivation expenses—cattle and manure.

brought down the rivers provides much of the manure, road sweepings and green leaves provide some more and all but the poorest ryots can provide a certain amount for themselves for most have a few cattle if it be only an old dry cow. There is a growing tendency to the artificial manure including oil-cakes, bone-meal, fish manure produced in the Presidency and guano and chemical manures imported. In the deltas sunn-hemp and other green manure crops are grown after the last rice crop is off the ground, but these are not commonly grown on the dry lands. Manuring, however, provides the second item of expenses.

-her items. 124. In wet cultivation transplantation comes next and on dry crops weeding and hoeing are to be provided for. This is followed in some cases by a further dressing of manure. Finally there is the expense of reaping and gathering and threshing.

125. It is generally customary to pay the cost of harvesting in kind from the grain and this is done also in the case of other crops such as cotton, but the whole cash payments have to be met by borrowing. The bulk of the ryots are in debt, mostly they have borrowed for the last crop and the proceeds of that crop do not last long. Consequently all expenses in a very short time after the harvest are met by borrowing again and this borrowing must cover not only purely cultivation expenses but also all domestic expenses in the meantime.

126. All our enquiries tend to show that the ryot does not ordinarily distinguish between cultivation expenses proper and domestic expenditure and there is consequently much confusion among various estimates of cultivation expenses particularly in those numerous cases in which ryot and his family themselves provide the whole of the labour used on their small holding. The only sound method is to debit the cost of labour to cultivation as though it were separately employed and paid for and then in the case of cultivating peasants to consider that those wages have been paid to the cultivator himself. The cost of cultivation on this basis per acre of wet delta land works out at Rs. 30 to Rs. 50 for a single paddy crop, the variation depending chiefly on the manure put in.

127. Finally there is the interest on old debts to be paid together with, if possible, some instalment of the principal where the debt is not an economic one—that is, one which yields to the debtor more than he has to pay.

128. For these purposes the first requisite is that there should be very considerable sum of money available as loans to be disbursed at intervals from May to December and to be repaid at some little time after the harvest when they should be repaid in full from the proceeds of the crop when it is sold. The most economic time for selling depends on the crop. In the case of paddy it would be about May for although the price may rise a little more after that time, the interest on outstanding loans,

godowns, wastage and dryage would probably absorb the whole advantage and at the best it is a gamble to hold on for further rises in price long after the harvest when there is almost invariably a slump. The case of commercial crops of which the price is governed by a world market is different. A harvest time slump followed by a recovery cannot be relied on. The extent of the crop locally may make little difference to the price. The harvest fluctuation locally depends in fact largely on a demand for local consumption as well as on the need for the ryot to realize speedily to meet urgent demands.

129. Cultivation costs including rent and domestic expenditure require loans doled out in comparatively small sums over eight or nine months to be repaid in full when the crops are sold.

130. In the deltas arrangements can be made methodically in advance by the ryot for he knows when water will be available for ploughing and for transplantation and so on but on dry lands he must seize his opportunity when rains make it possible to do so; in all cases, however, he is apt to want money at short notice.

131. The second requirement therefore is that the finance required must be available at short notice.

132. The third requirement is that it must be adequate. The cost of cultivation must be secured on the crop and, if necessary, on the land too but it is small compared with the value of the land, say, about 5 per cent in the case of paddy, but there must be finance available for the complete cultivation. It is useless to lend money to plant a crop and to refuse a loan, say, to give a dressing of ammonium sulphate to bring on a paddy crop or to pay coolies to pick cotton. The first loan is only jeopardised by such stint. Further the demand must not be so much in excess of supply that the rate of interest is enhanced to reduce the demand. The fourth condition obviously is that it must be available at a reasonable rate. The rate depends on a number of factors, principally on the security offered and the readiness with which that security can be realized but it must also depend on the demand.

133. The security offered is the ryot's personal security in the first place. The value of this depends on the intimate knowledge of creditor and is capable of being exaggerated. The village sowcar may rely on it and give loan on no other security for he can bring pressure to bear in many different ways on a recalcitrant borrower and it is of value with local bankers and merchants and others who lend for cultivation but in the case of the co-operative society the panchayat appears frequently to be unable to differentiate practically between those whose personal credit is good or indifferent, as persuasion or pressure may induce a panchayat to give loans which they know to be unsound. After his personal security, the ryot can offer secondly his crop, thirdly, his land

Security for loans.

and fourthly, his jewels and movable property. Ordinarily, he operates on them in turn. Small loans for cultivation and domestic expenses are based first on personal credit; and repayment is made from the crop, failures to discharge in full and additions for larger enterprises such as the purchase of cattle or for dowry of a daughter, or large improvements to land are followed by the execution of a pro-note and finally by a mortgage on the land. Commonly no distinction is drawn between various kinds of requirements. Domestic expenditure is not differentiated from cultivation costs. Running costs and capital expenditure are mixed up. A distinction between short and long term requirements is not appreciated. Commonly there is a money-lender in the village or in a neighbouring village and the ryot keeps a running account with him much to the ryot's convenience and to the money-lender's profit.

134. In the case of loans from the larger banks and from Government, personal credit goes for little as it is not accurately known to the creditors. These must fall back on hypothecation of crop, mortgage of the land and collateral security by sureties and the pledge of jewels, even cookpots. The hypothecation or mortgage may, and usually will, for cultivation expenses, provide ample security so far as known value is concerned but facility of realizing is a different matter and it is not unheard of for a ryot to hypothecate a crop to one person and sell it quietly to another. Any action which would facilitate realization of security for a loan would be in the interest of all honest borrowers and to create a definite charge on a crop grown with the help of a particular loan with a penal clause to discourage any action detrimental to the charge would undoubtedly strengthen such security while extension of the right of foreclosure of a mortgage with power to bring such mortgage property to sale summarily would fortify the position of the creditor enabling him to recover more promptly and any action which would help a money-lender to recover more expeditiously whether by these steps or by speeding up the tedious processes of civil litigation would tend to reduce the rates of interest. One is left, however, with a choice of evils for more summary recovery brings with it increased scope for abuse.

135. To meet these requirements there are in existence a number of different agencies, none of them perfect.

Existing credit agencies.

136. The village money-lender is in one form or another the universal provider. He keeps a running account with most of the ryots in the form of khata, the balance is struck at intervals and as the debtor balance grows in age and size the signature on the khata account gives place to the more formal pro-note and this in time may be replaced by the mortgage deed.

137. The khata account is one in which payments made in cash or kind are debited and all receipts are credited but if a bigger loan is required it will ordinarily be given on a pro-note.

Repayment is commonly made in kind and it is frequently so stipulated particularly for loans specifically for growing a crop. It is a system open to very obvious abuses, for the ryot seldom has means of knowing prices accurately and measurement is made by the creditor.

138. The rates of interest charged by such village money-lenders are ordinarily about 12 per cent for a good mortgage, but 15 to 18 per cent is commonly charged on pro-notes and other securities. It is unusual to go beyond this unless the security offered is regarded as unusually bad. But it is to be borne in mind that nominal rates of interest are increased when the interest is taken in advance or when the repayment is in kind. The rates of interest are generally somewhat lower in deltas where crops are fairly secure than in the dry districts and particularly in the Deccan where they are much more precarious. Many ryots are financed by local merchants, the smallest by the merchant in the village, the bigger by the merchant in the nearest market town and so upward till we find large planters hypothecating their crops to obtain funds to secure them. In the case of food crops, loans are advanced and repayment taken in kind. In the case of the commercial crops, however, loans were frequently given by bigger merchants who deal on a very large scale in such produce. This was commonly done in the case of jute and indigo in one district by the firms wanting those products either for manufacture or for purchase and export. The practice there appears, however, to have been given up as no longer necessary there, partly because indigo is no longer a paying crop and partly because it is no longer necessary for the people wanting jute to make advances to persuade the ryots to grow it. They will grow it of their own accord after an adequate market has been established. Rates of interest.

139. It is generally, however, the practice for merchants to give advances on the hypothecation of crops on the condition that the crop be handed over to them to be sold in order to ensure a supply of the goods they require and to bring trade to their shop. This is a system that very seriously affects the marketing of the produce and as a system of financing agriculture it is not a satisfactory one when the parties to the bargain are not evenly matched. An ill-educated villager is not likely to come too well out of a bargain with a shrewd businessman at the market. Advances on crops.

140. This system as worked between the big firms and well-to-do planters on the West Coast, particularly in the case of coffee, works well enough. Interest varies from 6 to 9 per cent and we had few complaints in regard to such business; but when one goes to a lower stratum smaller mercantile firms struggling to make large profits with the second flight of estates striving with inadequate capital to keep going there were complaints of higher rates of interest, of false measurement and fraudulent outturn reports.

Part played by different financing agencies.

141. Bankers do not directly finance agriculture to any great extent. Mostly they finance the merchants who give advance and lend to the smaller village dealers but some of them lend direct on the pledge of produce, valuables and on mortgage. The banks will of course lend to anyone on such security but it is only the smaller of the joint stock banks and some of the nidhis that do any considerable business with ryots direct. There is of course much business on jewels and specie. This is the ryots' stand-by, a few jewels are generally kept and these are pledged not merely for cultivation expenses but on every occasion when it is necessary to raise funds for almost any purpose. Marwaris doing a pawn-broking business may lend at a very low rate sometimes charging even so little as 6 per cent relying on the sale of the pledges to make a large profit. If a considerable number of pledges are unredeemed and there is a 100 per cent profit on such sales it makes little difference whether the nominal rate of interest is 6 per cent or 12 per cent. It is a safe business, bad debts are rare, and much is to be gained by charging a rate of interest which will attract customers.

Short-term loans.

142. The advances for agriculture made by money-lenders and more particularly by merchants are intimately connected with the marketing of produce and this aspect of the matter will be dealt with in a later chapter but advances are obtainable by ryots from co-operative societies and from the Government without any commitment in regard to marketing. The Government loans may, however, be dismissed as it is only rarely that loans are taken from the Government for the purchase of seed. The 13,000 agricultural credit societies have on the other hand lent out short-term loans in 1928--29 to the extent of Rs. 137 lakhs to 691,000 members by which if only one of a household of five gets the loan the total number benefited is 3,455,000. These loans are primarily for cultivation expenses and similar requirements which are to be repaid in full on realization of the crop. Doubtless they are in part misused; when they are given too freely or to irresponsible people they, or a portion of them, are wasted; repayment becomes difficult and is therefore neglected and staved off by prevarication and evasion as completely and as long as possible. To some extent they are used to pay off another pressing creditor but against this double evil of wasting the cash received or of using short-term loans for long-term purposes a large amount—Rs. 114 lakhs—was lent out as long-term loans during the year and this included money taken and used for short-term purposes and this should somewhat mitigate the evil of using short-term loans for long-term purposes, but it does not reduce overdues or even if they have taken a long-term loan and used it for a short-term purpose, they do not much repay it in advance. We take it that apart from an amount, which it is quite impossible to ascertain precisely but is probably in this Presidency not a large proportion of the whole, unwisely expended on objects on which the ryot would not have spent had he

not obtained 'easy money' the short-term loans represent the amount advanced for cultivation and similar expenses by the co-operative societies.

143. All such loans are at $9\frac{3}{8}$ per cent in the cases of all ordinary village credit societies except a few in one or two districts which still cling to 10 per cent. Depressed classes societies, however, ordinarily lend at 12 per cent. Rates of interest.

144. What the total amount required as loans for agriculture for the Presidency is it is possible only to make a guess. There are 5·25 million acres of ryotwari wet land and if we take it that not less than Rs. 30 an acre is required for cultivation expenses, there is a sum of Rs. 15·75 crores required to be provided for materials and for payment of wages either to hired coolies or to the smaller working ryot himself. Seed grain is usually carried forward from the last crop but the poorer ryots often cannot afford to do this—they must live in the present before they provide for the future. There are such cases and others in which the last crop failed, when there is no seed grain to carry forward. In such cases there is need to borrow. Similarly for all other purposes some require to borrow, others more well-to-do manage without loans but borrowing is the rule and if we take it that Rs. 30 is the minimum required for cultivating an acre of paddy without providing for the living expenses for the whole family for the whole year, that some do not need to borrow at all while others have to borrow not only for cultivaton expenses but also livng expenses and in many cases—for more valuable land—cultivation expenses will run to Rs. 50 or more, it does not appear excessive to assume Rs. 30 an acre on the whole. For double crop lands it is observed that though loans may in part be repeated during the year they will generally not need to be increased at any one time for with each crop there is at least some repayment. Total loans required.

145. Any estimation for dry crops becomes far more difficult. Catch crops are sown over considerable areas of land, for example over a good deal of the large area shown in the accounts as grazing ground in North Arcot, when the rains give promise of a good season; but for such lands manuring is very sketchy and cultivation expenses are very small. Dry crops.

146. Of the organization so far evolved for financing cultivation in this country, the co-operative credit societies are the most promising and proposals further to develop them will be found in Chapter XI.

147. The possibilities of linking them up more with other banks depend on whether they are able in time to develop a realizable form of paper. It would not be a difficult matter theoretically for members getting loans from godown societies on produce pledged there to accept a four months' bill drawn on them by the godown society which might discount it with the co-operative central bank but this is merely another way of getting a loan from the central Linking up co-operative societies with other banks.

bank by repledging to the bank the produce pledged with it. The Central Bank might in the course of time rediscount the bills it has if there arose any necessity for that but in regard to loans by credit societies, which give loans to members for four months for growing crops it will be a long time before other banks can be persuaded to discount freely bills so drawn for there is obviously the chance that the borrower may not grow the crop, a flood may wash it away or drought wither it completely. The pro-note for the loan is good enough backed up by unlimited liability of the society and by outside supervision but though joint stock banks may be willing to grant credit to Central Banks on such security that is a different matter from discounting a bill drawn on a ryot for a loan, given to be repaid at the harvest four months later and there does not appear to be any immediate prospect of rapid advance in the direction of creating agricultural paper which should be readily accepted as security for loans outside the co-operative movement.

CHAPTER VI.

Permanent Improvement to land.

Items of improvement.

148. Improvements to land must be taken to include all those agricultural operations which are not carried out annually. Firstly there is the levelling of land and erecting of bunds round land to be irrigated; this process is constantly going on wherever irrigation facilities are being extended and the steady improvement of existing systems and the provision of more under construction or contemplation such as the Mettur project, the Tungabhadra project, the Kistna reservoir scheme and other smaller ones ensure a steady demand for such improvements. This is a purpose which requires material fund and generally involves loans. The amount is usually too heavy for payment in one year and land which has been so cleared of surface soil to bring it to a dead level, will not yield its full crop for at least three years.

149. In the Ceded districts there is periodical deep ploughing to be done to remove knut grass. This cannot be done annually for it is far too expensive an operation to be carried out annually on land which will yield only dry crops and it is commonly done by loans. There is again the clearance of land which has either never been cultivated or has been neglected for years. Scrub and prickly-pear cannot be cleared as an ordinary cultivation expense and the cost can usually only be repaid over a few years.

Irrigation facilities.

150. The provision of irrigation facilities to dry land is another common item of expenditure usually entailing a loan and often involving a serious gamble on the results. A well may be dug but it does not follow that water will be found at a reasonable depth or in sufficient quantity to enable the well to irrigate enough land

to make the project pay. It has been suggested time after time that the Government should do more to assist in finding water and that the underground water is not exploited as much as is desirable. The practice is most in vogue in the central districts particularly in South Arcot. Here wells are numerous and not very deep. They frequently give a good yield and the cost of preparing the surrounding land for irrigation is not very great. In Coimbatore, wells run to a very great depth and the cost of working them is accordingly high. In the Ceded districts, the need is greatest and so indeed is the risk of failing to find water. It is therefore not surprising to find ryots unwilling to borrow large sums to sink a well, which may be a success or equally may be failure. Dried-up river beds have a flow of water through the sand but it cannot be indefinitely exploited for it is obviously strictly limited in quantity. There are already many "spring channels" and marginal wells and it is doubtful whether much more can be got from them. There are not lacking persons to advocate more wells and pumps higher up these streams where the water-supply has not been tapped but it seems obvious that if the water is tapped higher up it will not reach the works already installed with established easements lower down.

Credit facilities—Money-lenders.

151. We are directly concerned, however, less with the practicability of finding more water than with the question of finding the funds for what exploitation is practicable. Small wells and improvements to individual cases must be carried out by the individual owner. The money-lender will give loans to well-to-do ryots either in lump sum or in driblets either on a khata account or pro-note or mortgage according to the credit available and to the amount of loan required, but we wish to emphasize the fact that in such transactions it is not usual to distinguish between long and short term requirements. We may, however, observe that it is the village money-lender and not the banker proper that finds funds for such long-term loans. Other agencies are also available and the chit fund can provide a few loans for such purposes but they have been largely developed only in a few districts and are too cumbrous for financing agricultural long-term loans on a big scale. A ryot cannot be quite sure of getting a lump sum from a chit fund just when he wants it, so it is usually only the promoter that goes into a chit because he definitely wants a sum of money immediately for a specific object. Finally there are the family jewels which are always good security for a loan for an indefinite period.

Nidhis.

152. The nidhis find also long-term loans to a limited extent. They lend considerable sums on mortgage and in the Coimbatore district a few are lending in the villages.

Government.

153. The Government provides funds as takavi loans for such improvements repayable over periods of years up to but rarely exceeding 15 years.

Co-operative societies.

154. Co-operative societies again are able to provide considerable sums for this purpose for a great deal can be done with 5-year loans. Agricultural co-operative societies during 1928–29 lent out Rs. 114 lakhs for such purposes mostly at $9\frac{3}{8}$ per cent. It is impossible to estimate any amount required for such purposes throughout the Presidency but it is clear that the co-operative organization is capable of very great expansion so long as that expansion is gradual and that a much larger amount can ultimately be provided for loans up to five years with the condition that repayments are prompt and there is an equal development of short-term loans for the safety of the financial arrangements. For loans which though sound cannot be repaid in such a period, we must look elsewhere for accommodation. No ordinary commercial bank trading on deposits can look at such a business and it is evident that if long-term loans are to be found, long-term deposits must also be found. The Government takavi loans run to Rs. 24 lakhs and odd and possibly this might be somewhat increased but even this amount is quite inadequate and we must look for some credit basis on which to obtain money on long-term debentures or share capital. For this purpose it is necessary to establish some form of bank to float debentures based on land mortgage to raise money which may be passed on to the ryots.

Land mortgage banks.

155. There have been established a number of local land mortgage banks. There are 20 of these now but only eight have issued any debentures. They have lent chiefly for $16\frac{1}{4}$ years at 9 per cent. The reason for the term of years is that by making equated payments annually at 12 per cent of the total borrowed at a rate of interest of 9 per cent, 12 per cent being the ordinary mortgage rate for the ryots who borrow from such land mortgage banks, the debt is extinguished in $16\frac{1}{4}$ years. The ryots at one bank were in fact told, we understand, that if they borrowed from the co-operative land mortgage bank at the same rate of interest as they were then paying, they would be let off the principal amount if they paid the instalments faithfully for 16 years. The debentures were sold to the public at 7 per cent and the Government took up debentures at $6\frac{1}{2}$ per cent to an equal amount up to a total in each case of Rs. 50,000. The banks started with a share capital and lend only to share-holders. The member presents his loan application and after investigation of the value of the land, the member's title to it, his right to alienate it and the necessity for the loan, the loan is granted and on the mortgage of the land so obtained, debentures are sold to the public. The size of the bank was decided by considering what area would be necessary to provide enough business to enable the bank to pave its way satisfactorily. The minimum area for this purpose was necessary as it was essential that all lands involved should be accessible for the investigator of the bank to make his enquiries and for the honorary directors to be able to go readily and check the reports received. On this basis the '5-mile radius' was arrived at as a working rule to start on and the first banks were all started on this basis.

156. The position of land mortgage banks in March last was accordingly as follows:—

Statement regarding share capital and debenture issue, etc., of Land Mortgage Banks up to 31st March 1930.

Name of bank.	Number of members.	Paid-up share capital.	Debentures purchased by	
			Government.	Public.
		RS.	RS.	RS.
1. Bavani	21	980	..	..
2. Perundurai	41	410	..	..
3. Kambalianpatti	88	9,300	33,000	33,000
4. Peelamedu	88	7,800	10,000	10,000
5. Tanjore	50	1,700	..	..
6. Kulittalai	62	8,980	21,600	26,850
7. Kallakurichi	20	280	..	..
8. Kattumannargudi	20	200	..	..
9. Conjeeveram	295	14,780	50,000	60,400
10. Madurantakam	50	3,400	..	22,000
11. Kilacheri	112	2,410	..	..
12. Chingleput	104	1,600	..	5,500
13. Ambur	36	1,800	3,000	3,000
14. Chengam	11	275	..	..
15. Sholinghur	31	950	..	..
16. Tiruvannamalai	19	910	..	..
17. Alamuru	168	14,930	50,000	73,200
18. Pithapuram	138	3,930	..	..
19. Gudlavalleru	275	31,700	50,000	2,22,500
20. Vadlamannadu	101	7,910	10,000	54,500
Total ..	1,730	1,14,195	2,27,600	5,10,950

157. These banks were originally started as an experiment to ascertain what measure of success could be secured by this method. It could not be expected to develop indefinitely, but it has been demonstrated that, given local good management by persons who can command some local confidence, there is a considerable response for the demand for investment in debentures. Without the accession of trust funds, material sums have been obtained and lent out in amounts not exceeding Rs. 2,000 in each case. When we consider that Rs. 20 crores are lent on mortgages which are registered every year, the scope for expansion is patent and that three small land mortgage banks have already raised debentures to the extent of Rs. 4½ lakhs, the system has some promise. Repayments have been on the whole fairly satisfactory but the fact that there have been defaults on account of failure of crops and that on land under a tank supplied by a spring channel that rarely fails, the need for caution in expanding so promising a system is equally patent. The debenture-holder is indifferent to crop failures. He must be paid on the due date and to ensure this either there must be no failure of crop or some other institution must bear the burden of such temporary lapses. Such banks must in fact for the present, when transactions are on a small scale and when defaults from crop failure or other causes will seriously affect prospects and profits, be confined to the most fertile areas where

Scope for expansion.

debts are heaviest, where crops are most secure and where land is most readily saleable. The dry tracts which embody the negations of these requirements must wait. Even where these land mortgage banks are started the borrowers must be able to get short loans in the event of failure to pay the instalment due to the land mortgage bank and tide them over to the next crop, but the land mortgage bank cannot be kept waiting.

158. The experiment has demonstrated another fact. In three banks out of the first five in spite of the most glowing assurances made when the bank was started and of enthusiastic promises, they have not succeeded in persuading any one to buy a debenture. Some of these banks were started in very promising centres, but evidently the management did not inspire confidence locally.

159. Some of these banks, in fact, got on; more failed to sell debentures and it became evident that while some were a success the existence of a number of independent banks involved the floatation of a large number of different debentures none of which would ever become readily marketable and if they were to be a success it was necessary to centralize the debenture issue as a floating charge on all mortgages obtained by the primary land mortgage banks and transferred by them to the Central Land Mortgage Bank. The fund so raised will be lent to the local land mortgage banks which will lend it to the members and the mortgages so received will be transferred to the Central Land Mortgage Bank as security for the debenture-holders on whose behalf the Registrar of Co-operative Societies is the trustee. Such a Central Land Mortgage Bank was started in December last and has been busy preparing to start work. It has admitted members and collected Rs. 54,200 of share capital up to 31st March 1930.

Suggestions for expansion.

160. It is necessary that this organization for long term finance on a mortgage basis should be entirely independent of and as far as practicable not in competition for funds with the Co-operative Central Bank and rural societies organization for short term finance. The Government are giving certain facilities to the Central Land Mortgage Bank. They have guaranteed the interest up to 6 per cent on all debentures up to Rs. 50 lakhs issued during the first five years for the full term of the issue. They have lent the services of two deputy registrars to inspect local land mortgage banks and ten sub-deputy registrars to conduct all enquiries on behalf of the local land mortgage banks and they have given an advance to provide for preliminary working expenses of the bank.

161. Such banks can materially help to reduce the burden of a section of the rural debt, that is, that section of it on which the ryots can pay 12 per cent for sixteen years or $11\frac{1}{2}$ per cent for twenty years, but after the first twenty years, the reduction in the annual instalment is trifling for each year added to the period of repayment. There is a further section of debt which cannot be repaid on the terms which a land mortgage bank can offer, but as

the mortgages registered annually by the Registration Department amount to twenty crores, there is no reason to doubt that there is very great scope for the Central Land Mortgage Bank to play a very useful role in promoting the agricultural prosperity of the country.

162. As has been observed, it must work in conjunction with the local credit societies which are intended to give short-term loans, but to allow for bad years. If there is a failure of crop, however, it is the unlimited liability credit society and not the land mortgage bank that must give the extension of time for repayment of loans, for the latter must receive its instalments annually with the utmost regularity.

163. We consider that this bank should not ordinarily receive short-term deposits but that the debentures should be purchasable as trust securities and we recommend that this should be provided by an amendment of the legislature.

164. One of the most favourable features of the co-operative credit societies is generally the lack of 'commission' and particularly in the north of the Presidency, no such mamul has been established. The assertion is occasionally levelled at the Revenue Department that takavi loans can only be obtained by the payment of 'commission.' It is true that so long as this commission does not exceed, as we are told it rarely does exceed, five per cent of the loans sanctioned there is no great outcry, in fact, there is no complaint at all, but both co-operative organization and Revenue Department are castigated by many witnesses for the delay in obtaining a loan, and though a couple of months will generally see a co-operative loan through, there is no guarantee of orders within that period when application goes to the tahsildar, and the main defect complained of in the machinery by which a ryot obtains a takavi loan is the slowness with which it revolves. Delay is, no doubt, unavoidable, but it does not appear to us that it cannot be reduced.

165. The Government grant loans for various purposes under the Land Improvement Loans Act and the Agriculturists' Loans Act. The Acts and the rules under the Act specify the following purposes:— Takavi loans —Purposes.

I. (1) Government grant loans of money to landholders and cultivators including inamdars and occupancy ryots in zamindaris, for making improvement which means any work which adds to the letting value of land and includes the following, viz.:— Land Improvement Loans Act.

(*a*) the construction of wells, tanks and other works for the storage, supply or distribution of water for the purposes of agriculture or for the use of men and cattle employed in agriculture;

(*b*) the preparation of land for irrigation;

(c) the drainage reclamation from rivers or other waters, or protection from floods or from erosion or other damage by water, of land used for agricultural purposes or waste land which is culturable,

(d) the reclamation, clearance, enclosure or permanent improvement of land for agricultural purposes;

(e) the renewal or re-construction of any of the foregoing works, or alterations therein or additions thereto; and

(f) such other works as the Local Government may from time to time by notification in the local official Gazette declare to be improvements for the purposes of this Act.

(2) Persons requiring loans may apply to any revenue officer not below the rank of a Revenue Inspector. No loan will be granted without a local enquiry. When the amount applied for exceeds Rs. 500, the local enquiry is held by an officer not lower in rank than a Deputy Tahsildar.

(3) Loans will not be granted in smaller amounts than Rs. 50.

(4) The rate of interest on loans granted under this Act is $6\frac{1}{4}$ per cent per annum.

(5) Loans are ordinarily repayable by equal annual instalments discharging both principal and interest. The period within which a loan shall be repaid is fixed according to the amount of the loan, but the maximum period shall not ordinarily exceed 20 years. In the case, however, of loans granted for the construction or repair of wells, the maximum period allowed for repayment is 30 years.

Agriculturists' Loans Act.

II. (1) Owners and occupiers of arable land can obtain on application loans not exceeding the amount specified below in each case for the following objects:—

(a) For the purchase of seed-grain, cattle and stallions required for breeding or other agricultural purposes or the re-building of houses destroyed by fire or floods—maximum amount Rs. 1,000.

(b) For other agricultural objects, such as purchase of fodder for domestic and agricultural cattle, erection of sugarcane mills, indigo-vats and such like appliances for dealing with raw agricultural produce; erection of double mhotes or other contrivances for raising water; the acquisition of land for house-sites and the building of house thereon in villages declared by the Collector to be congested and the building of houses by cultivators in tracts newly made available for occupation and cultivation—maximum amount Rs. 2,000.

(c) For the relief of distress when the existence of such distress has been recognized by the Local Government to enable owners and occupiers of land and their dependents to subsist until the ripening of the next harvest—maximum amount Rs. 200.

(2) Applications for loans may be made as in the case of loans under the Land Improvement Loans Act to any revenue officer not below the rank of a Revenue Inspector. No loan will be granted without an enquiry. When the amount of the loan exceeds Rs. 500, the enquiry is invariably made by an officer not lower in rank than a Deputy Tahsildar. The yearly rate of interest will be 6¼ per cent; but in the case of loans for the relief of distress interest is charged only at 3 per cent per annum.

(3) The period of time allowed for the repayment of the loan under this Act is as follows:— Period of loan.

(1) For the purchase of seed—ordinarily 1 year.

(2) For the purchase of seed which cannot yield a return in a shorter period—6 years.

(3) For the relief of distress—3 years.

(4) For any other purpose—10 years.

III. Rules under section 10 of the Land Improvement Loans Act and section 4 of the Agriculturists' Loans Act provide that owners and occupiers of arable land can, on application, obtain loans from the Director of Industries for the erecting of pumping installations and from the Director of Agriculture to purchase agricultural machinery to improve their land in connexion with the installations of such machinery. Special loans.

The Directors can sanction loans only to the extent of Rs. 10,000 in each case; beyond this the sanction of Government is required.

The entire loan money is not actually paid to the borrower. He merely executes an agreement authorizing the Director to proceed with the purchase and erection of the plant and agreeing to treat as a loan actually paid to him the amount spent by the Director on the purchase and erection. The Director then purchases and erects the plant and hands over to the applicant any balance that may remain after paying the cost of purchase and erection and of the departmental charges for inspection, estimating, purchasing and erecting the plant.

The rate of interest charged on these loans is 6¼ per cent per annum.

Loans are repayable by fixed annual instalments in discharge of both the principal and interest. The amounts of the instalments are fixed by the Director but the period fixed shall not exceed the maxima shown below:—

(i) When the loan is secured on landed property—20 years.

(ii) When the loan is secured on machinery or plant—5 years.

(iii) When the loan is secured on personal security—2 years.

When the loan is secured partly on one form of security and partly on another, then the maximum period of repayment shall be so fixed that the portion of the loans secured by item (ii) or (iii) above is repaid, with interest in five or two years respectively.

Security.

IV. No loan is granted unless the security offered is at least equal to the amount of the loan applied for. The nature of the security is as follows:—

Land Improvement Loans Act, 1883.

(*A*) The land to be improved which must ordinarily include the site of the work to be constructed unless it is land classed as poramboke.

If the value of the applicant's interest in the land to be improved is not equal to the amount of the loan applied for, collateral security is required.

Agriculturists Loans Act, 1884.

(*B*) The applicant's saleable interest in lands held by him: provided that, if the value of such interest is not equal to the amount of the loan applied for, collateral security shall be required.

(*C*) When a loan permissible under the Land Improvement Loans Act is applied for by the members of a village community or by a group of cultivators on their joint personal security, the Collector may, at his discretion, advance on such security an amount not exceeding five times the annual assessment of the lands registered in the names of the applicants.

Loans under the Agriculturists' Loans Act repayable within two years and not exceeding Rs. 100 in amount may also be granted on the personal security of the applicant and one or more other persons, provided that the annual assessment or in the case of ryots in estates as defined in the Madras Estates Land Act, the annual rent of the land belonging to the applicant or of the land belonging to him and to his co-sureties is not less than one-fifth of the amount of the loan applied for.

Amounts disbursed.

V. The amount of loans disbursed by the Director of Agriculture is insignificant. It was Rs. 7,300 in 1918-19 and Rs. 850 in 1926-27. The Director of Industries disbursed Rs. 4·28 lakhs during the last six years. The amount disbursed by the Revenue Department under the two Acts during the ten years ending 30th June 1928 is shown in the following two statements.

Statement showing the advances made under the Land Improvement Loans Act during faslis 1328—37 (1918-19 to 1927-28).

Districts.	Fasli 1328 (1918-19).	Fasli 1329 (1919-20).	Fasli 1330 (1920-21).	Fasli 1331 (1921-22).	Fasli 1332 (1922-23).	Fali 1333 (1923-24).	Fasli 1334 (1924-25).	Fasli 1335 (1925-26).	Fasli 1336 (1926-27).	Fasli 1337 (1927-28).
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Ganjam	5,915	14,620	29,125	24,260	17,335	48,665	46,985	26,060	48,025	35,170
Vizagapatam	1,510	44,965	22,350	20,200	19,300	77,300	90,001	30,394	30,183	42,218
Godavari, East	..	4,300	2,550	2,929	2,475	2,905	3,000	2,575	1,050	1,775
Do. West	..						320	5,131	5,300	7,600
Kistna	5,145	8,825	13,450	15,745	11,650	15,100	10,177	16,275	5,880	19,200
Guntur	3,700	7,450	9,534	9,077	19,295	18,800	19,383	10,132	37,798	24,975
Kurnool	2,380	11,625	20,835	74,677	46,012	22,715	4,980	400	13,110	16,520
Bellary	32,320	34,525	1,33,922	2,77,676	1,13,540	5,06,910	92,000	23,555	5,21,183	4,43,816
Anantapur	29,004	27,465	85,484	82,109	71,168	2,61,819	2,23,052	32,330	32,378	19,937
Cuddapah	4,475	4,930	3,645	5,920	4,495	7,810	8,305	4,550	8,030	10,830
Nellore	600	985	1,550	750	13,550	5,300	775	3,975	6,035	1,11,380
Madras	..	..	..	..	..	..	..	..	..	..
Chingleput	12,460	10,125	15,425	12,875	12,185	14,700	23,307	20,300	24,772	30,870
South Arcot	12,413	12,525	4,280	9,795	13,675	28,471	42,860	20,740	16,925	31,820
North Arcot	39,812	98,575	41,575	24,365	36,763	72,032	1,05,600	47,512	97,622	57,688
Chittoor	11,400	59,727	22,175	27,320	30,220	70,300	66,727	25,235	22,715	16,025
Salem	45,110	42,583	1,23,750	56,495	52,745	1,26,320	1,05,225	99,540	1,02,735	87,310
Coimbatore	26,646	42,826	78,475	95,750	89,750	2,36,355	4,48,110	4,29,350	2,22,386	1,48,517
Trichinopoly	9,325	16,550	13,825	17,400	18,850	22,930	1,70,692	1,25,336	70,487	67,431
Tanjore	2,475	11,325	1,890	950	300	1,850	78,340	51,185	43,305	17,524
Madura	14,625	1,13,325	85,875	38,000	54,000	48,720	55,720	42,630	58,070	51,820
Ramnad	2,050	2,300	2,800	10,050	1,08,902	61,325	5,370	8,750	89,680	51,345
Tinnevelly	15,860	13,177	16,613	5,812	18,567	37,708	35,297	40,750	43,900	36,000
Malabar	2,750	1,350	4,300	2,500	4,250	3,000	43,390	34,850	25,405	19,570
South Kanara	300	120	2,060	1,800	475	27,460	33,530	25,410	17,170	10,325
The Nilgiris	4,135	3,345	5,415	5,800	10,755	6,185	12,710	4,400	8,675	10,000
Total ..	2,83,811	5,89,543	7,45,903	8,22,255	7,60,647	17,24,680	17,15,866	11,31,355	15,52,819	12,69,926

Statement showing the advances made under the Agriculturists' Loans Act during faslis 1328—37 (1918–19 to 1927–28).

Districts.	Fasli 1328 (1918–19).	Fasli 1329 (1919–20).	Fasli 1330 (1920–21).	Fasli 1331 (1921–22)	Fasli 1332 (1922–23).	Fasli 1333 (1923–24).	Fasli 1334 (1924–25).	Fasli 1335 (1925–26).	Fasli 1336 (1926–27).	Fasli 1337 (1927–28).
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Agency Division	..	..	..	28,312	11,566	..	..	..	..	..
1. Ganjam	2,49,770	1,01,073	85,155	72,388	11,305	73,583	56,795	26,044	35,821	26,752
2. Vizagapatam	700	6,150	8,305	17,490	13,950	86,034	69,820	23,281	35,207	38,640
3. Godavari, East	2,500	500	..	..	..	..	400	..	,000	1,950
4. Do. West	..	..	..		..		..	800	1,400	4,050
5. Kistna	16,025	25,110	28,530	13,225	6,950	8,700	5,673	66,802	1,980	300
6. Guntur	16,723	21,139	13,603	13,411	17,555	16,145	11,602	50,056	2,02,120	48,505
7. Kurnool	6,750	7,529	18,745	1,90,528	1,14,770	21,325	31,670	11,200	1,07,650	1,24,857
8. Bellary	22,625	45,315	99,660	4,68,774	76,140	4,74,790	1,45,960	32,355	2,45,866	61,033
9 Anantapur	20,030	22,283	1,53,744	1,43,955	75,754	2,20,179	3,93,283	62,315	41,874	30,200
10. Cuddapah	7,360	11,665	8,345	13,125	10,410	15,600	14,600	7,470	30,915	27,005
11. Nellore	260	1,110	4,230	450	3,295	9,590	2,850	1,850	5,130	67,869
12. Madras	..	..	..	..	..	..	..	..	..	..
13. Chingleput	81,660	97,680	1,01,335	1,00,388	78,695	1,23,990	1,23,390	69,445	1,44,680	1,22,915
14. South Arcot	14,585	19,950	11,642	175	4,480	13,800	9,500	8,250	14,900	20,315
15. North Arcot	27,460	35,770	45,725	31,700	29,425	58,075	1,26,615	69,827	69,550	80,580
16. Chittoor	21,840	70,848	39,650	800	11,350	13,280	36,250	18,860	19,335	18,475
17. Salem	21,870	31,850	1,19,435	51,310	30,255	58,995	57,240	42,385	52,020	79,940
18. Coimbatore	10,440	16,310	11,490	16,700	19,950	1,83,375	1,22,310	2,63,680	2,10,990	1,90,481
19. Trichinopoly	34,475	62,425	64,370	48,990	43,030	84,820	76,987	47,605	49,951	78,787
20. Tanjore	1,13,335	2,28,946	66,135	80,450	29,845	13,050	1,95,189	84,610	5,967	1,500
21. Madura	44,588	41,960	20,675	10,100	78,275	44,705	51,425	35,225	53,365	46,360
22. Ramnad	..		2,000	3,250	16,710	14,735	10,715	2,930	15,820	27,200
23. Tinnevelly	12,930	12,375	15,542	4,725	14,490	53,425	32,525	19,575	20,940	9,995
24. Malabar	5,000	..	500	3,000	3,900	4,250	3,32,943	17,365	17,185	11,565
25. South Kanara	500	..	..	..	..	2,28,425	57,675	14,925	3,900	1,500
26. The Nilgiris	23,125	6,720	6,870	12,710	18,380	16,960	38,360	18,940	33,445	33,145
Total ..	7,55,551	8,66,708	8,81,686	13,15,956	7,20,480	18,37,781	20,03,807	9,95,825	14,21,011	11,54,189

The reasons for the large increase of grants in 1924–25 is to be found in the very widespread floods during 1924.

166. The amount of loans granted in this way is, it is observed, small and there is no urgent request for more. These are not applied for light-heartedly, for the ryots generally know that if they take these loans they have got to repay them, so long as they get reasonably good crops.

167. The rules provide that if there is occasion for large grants of such loan, additional staff is automatically employed by the Collector both for inspection of the land and for the office work entailed, and in this way loans are very quickly sanctioned.

Distribution through co-operative societies.

168. The question whether these loans should pass through the co-operative organization has been raised and discussed more than once. The question in fact is as old as the co-operative movement in India for the first suggestion that the Government should utilize the societies for advances of Government loans was made when the Co-operative Societies Bill was under consideration in 1903. The Government of India were then opposed to the scheme on the ground that the system of distribution and recovery of Government money through societies would be absolutely destructive of that thrift and combination for mutual assistance which co-operative societies were formed to encourage, but they thought that if co-operative societies became firmly established they might constitute a valuable agency for distributing such funds. The Registrars' Conference of 1909, 1912, 1913 and 1918 passed resolutions favouring the issue of takavi loans through co-operative societies but the Government of India did not accept this view but adhered to their opinion that State-aid to co-operative societies would prove destructive to self-help.

169. The Maclagan Committee went into the matter and recommended the distribution of such takavi loans through co-operative societies under certain conditions restricting it *inter alia* to times of severe scarcity and the Government of India accepted this view. The terms thus imposed were found too rigid and the matter was further discussed with the Registrar and the Board of Revenue and after a good deal of discussion was finally dropped.

170. It now is to be discussed in two respects firstly in regard to the possibility of giving takavi loans through the ordinary co-operative organization and secondly through the land mortgage banks.

171. The advantages of the takavi loans are in their low rates and long term. If these loans are passed through the central banks so that the ryots who are members get them at the same rate as other co-operative loans, the only advantage is the long term. If the society gets the loan direct from the Revenue Department, an anomaly arises that members get loans at a different rate and this can only be justified on the assumption that the

takavi loans are for terms beyond the period for which the co-operative banks can supply funds. On the other hand, if the co-operative societies charge ordinary rates for the takavi loans, then obviously it does not pay to be a member of a co-operative society; it is cheaper to get the loans direct from the Revenue Department.

Through land mortgage banks.

172. With regard to the land mortgage banks, they can get money in the market direct as cheaply as they can through takavi loans and if the Government is going to lend money to land mortgage banks, they can buy debenture. There is no need to bring in the Takavi Manual with its complications. Its provision that takavi loans rank with land revenue as a first charge on the lands is in favour of the Government and cannot be utilized by a land mortgage bank as it cannot be said, if takavi loans are given to land mortgage banks to supplement their resources, that any particular loan by a land mortgage bank is a takavi loan involving a right to sell the land free of encumbrances.

173. If land mortgage banks are to be a success, they must rely on a large debenture issue and should not rely even at the beginning on special funds available only to a very limited extent.

174. The purposes of a land mortgage bank are mainly to provide long-term loans to liquidate prior indebtedness. Loans cannot be given for this purpose under the Land Improvement Loans or Agriculturists' Loans Act and there is little doubt that this purpose will absorb the large proportion of land mortgage banks' funds. Long-term loans for purchase of land also is not covered by the Land Improvement and Agriculturists' Loans Acts. Agriculturists' Loans Act loans are within the scope mainly of the existing credit societies and relief of distress when it comes within the scope of co-operative finance and must be dealt with by middle-term loans by the existing agency.

175. All that remains is loans for land improvements which can be got from land mortgage banks or from the Government direct more cheaply. The Government have the agency for distributing such funds and it must add to the price at which the ryots get the money if it has to be passed through the co-operative land mortgage banking agency. In point of fact, takavi loans have been distributed through the co-operative organization in one set of societies. In 1924 severe floods in the Cauvery resulted in that river breaking its bunds and spilling much sand on the adjacent paddy lands. Co-operative societies were formed for the purpose of obtaining trolly lines, tubs, etc., and removing this sand. These societies were financed solely by their share capital and takavi loans. Some hundreds of acres of land were cleared of silt and sand up to 6 feet deep, and these societies are still working. Takavi loan can be very usefully used in times of stress for special long-term finance of co-operative societies. In ordinary times we do not consider it necessary to pass takavi loans through co-operative societies.

CHAPTER VII.

Marketing.

176. There are in this Presidency a diversity of methods by which the numerous crops are marketed, and these variations occur not only between the different crops but also between the different localities in which each crop is grown.

177. First we shall consider the paddy crop which is grown throughout the Presidency. In the tank-fed lands generally, in the rain-fed lands of the West Coast and in the Agency and in the achukattu cultivation by surface drainage and rain and in the irrigated tracts under various projects, there is a single wet crop. In the Godavari and Cauveri deltas and to a somewhat less extent in the Kistna deltas and in the systems which take their rise in the Travancore hills, two crops are grown, one being sown after the other is harvested, though in Tanjore it is common to sow a long and short crop together, the short crop being harvested after three months and the samba crop at the end of about six months. From this and the facts that in double crop lands it is sometimes the short crop, sometimes the longer crop that is harvested first and that sometimes a second crop is grown on certain lands or not according to the state of water-supply assisted in some cases by subsidiary irrigation by wells, and that in a few areas specially favoured there is a third grown, it is apparent that there is paddy being harvested of one kind or another over a very considerable period, in fact from early September to March. Again there are many qualities of paddy; Nellore samba paddy always commands a slightly higher price than most other kinds, while short-term paddy generally fetches only a lower price. These facts are to be borne in mind as always qualifying the wider generalizations that are nevertheless possible. The main paddy harvest is in December and January and into February and there is generally a slump in the market at that time. Also it is at that time that in such areas the Government kists and the landlords' rents fall due. This is naturally the case as the produce is the security for the rent or kist which is the first charge on the land, and the creditor must be in the position to demand payment before the crop is gathered in and disposed of to another buyer. Marketing of paddy.

178. The crop has in a vast number of cases been grown on advances taken from a co-operative society, from the local money-lender, from the small merchant or a fellow ryot and in many such cases other loans have been taken for domestic expenditure. These advances are a proper charge on the crop and should be repaid from it. If they are not liquidated in full from the proceeds of the crop, more must be borrowed again for the next crop and the debt increases. Similarly, there are the 50 or 60 to 70 per cent of the ryots who have substantial debts for which the creditor requires some repayment at harvest.

179. So far as the small ryots with two or three acres of land are concerned, the problem of marketing is a negligible one. He has very little to sell. He will sell a few rupees, worth of paddy to pay his kist. Any debt repayment is probably made in kind and for the rest he keeps it as the food supply of himself and his family. Any that he sells he must under present arrangements sell to the local petty merchant, but he will do better if he can sell through a co-operative agency.

180. In the Kistna delta it is common for the ryots themselves to take their paddy by cart to the market town, e.g., to Ellore, and to sell it to the merchant there and this applies to a number who can take their produce in cart-loads, and it assumes that there has been no hypothecation of the crop and no advance sale. In such cases the produce is paid for either in cash on the spot, or, where the parties are well known to one another, one week's credit is common. This merchant either stores it for sale later or hypothecates it to a banker in pledge for a loan or sells it again to a larger merchant on the spot or at the bigger market centre. Another variation of this arises from the sale being not direct but through a commission agent. The ryot is then in the hands of this agent as regards the price he gets and we understand that it is not uncommon for the commission agent to make both a commission on both sides and a profit on the sale.

181. Such methods can be improved upon but in these cases the ryot is at least free to sell or not as he sees fit. The ryot who has taken advances is in a much worse position. It is a common practice to take a loan on condition of repayment at the harvest. This, in this simplest form, compels the ryot to sell at once though the market may be glutted and the prices offered preposterously low but it is common when the loan is taken from the village money-lender who is also the shopkeeper and general merchant or from the bigger merchant to stipulate that the crop shall be sold at a rate sometimes pre-arranged but more frequently agreed on as the market rate at the time or in many cases at a fixed amount, about 5 per cent, depending for its precise terms on the local measure employed for such sales, less than the prevailing market rate. In other cases a stipulation is made that repayment is to be made in kind at a pre-arranged rate. Where advances have been made in kind, it is common to stipulate for repayment at the harvest, usually in a few months after the loan with interest at 25 per cent to 50 per cent. As soon as payments are made in kind, all interest rates appear to be raised inordinately and automatically and the villager does not appear to realize that 50 per cent for a 4 months loan, i.e., 150 per cent per annum, is equally extortionate, whether it is carried out in measures of paddy or in rupees.

182. There is no doubt that the ryot who repays a loan in paddy at the threshing floor measured by the creditor and charged up at threshing floor prices with charges for measuring, a little for

charity and a little for the deity, gets very little for the trouble he has taken to cultivate his land and has no inducement to put more into his land or to endeavour to grow a bigger crop. There is thus great diversity in the case of paddy because part of the crop is exported while a great deal is consumed locally. Consequently the local grocer wants to buy locally for his year's supply and as many as can afford to do so take advantage of the harvest slump to buy their requirements for the next year.

183. These marketing methods apply equally to other food grains. The tenant who has a little for the sale and the farm labourer who is paid in kind must sell either to the local shopkeeper or to the travelling agent buying on his own behalf or for a merchant who has sent him and his cart on tour to buy up small quantities at low rates. In this way is a considerable amount of produce (e.g., cotton) picked up cheaply but also it applies to larger quantities in out of the way villages. The big exporting firms do not, however, commonly buy direct from the growers, while the fact that there are side by side a diffuse market for local consumption and a constant buying of a portion of the crop for export and its despatch through several different channels militates against those forms of co-operative organizations which have been so successful in putting the produce of a locality profitably on to a distant market. The conditions in which the wheat pools operate in Canada are to some extent comparable with those in which cotton, tea, coffee, copra, groundnut, pepper, ginger are grown in this Presidency. Local consumption is negligible and the bulk of the crop is concentrated and exported to a distant market, but the paddy crop is a different matter; food grains are consumed locally and only a portion is concentrated for despatch to a distant market. A great deal is sold through local shandies and bazaars by local merchants who buy from the ryots and then stock for retail sale. The only organization which might improve on this would be a godown to which the ryot could take his produce to pledge for his immediate cash requirements and to sell at his leisure. This may level up prices but of course the services performed in collecting produce and selling it to the consumer have got to be paid for whether it is done by a co-operative society or by a small merchant, and once the system of hypothecation has been eliminated and the marketing so financed that the ryot is freed from the obligation of selling to a particular person on that person's terms, there is much to be said for the merchant who is expert in such transactions, has the capital and credit whereby to augment it, and will in his own interests avoid any waste of time or labour that may enhance prices. Other crops.

184. We have not so far referred to the large number of licensed markets and shandies in the Presidency where much produce is sold retail to consumers. There are districts where there are very few weekly markets and we recommend that as they are useful places Weekly markets.

for the small ryot to bring small quantities of produce of all kinds for sale, steps should be taken to organize markets at suitable places on different days of the week.

Groundnut. 185. If we turn now to the large commercial crops, we have already referred to one factor namely, the small extent of local consumption. We shall consider groundnut first and we must remark that though the bulk is exported, there are localities where much is consumed, for example round Madura. Oil is extracted for local consumption and the oil-cake is either used locally or sent to Ceylon for use as manure. Another factor also comes in in the case of groundnut, namely the large exporting firms, mainly European. These have their local agencies all over the country at all the principal groundnut centres in the harvest seasons. They buy for cash locally and do not ordinarily give advances for growing the groundnut. There are no large markets and no organized markets at all. The ryots bring their produce to the markets and sell after decortication by mill or hand or not at all, at the rate offered by the larger firms. These prices depend on the foreign market price and on the demand, but as the bulk of the business in groundnut is in very few hands and as the exporting firms have no idea whether the price is likely to go up or down or whether the demand will increase or decrease at any time, it is pure speculation on the part of the ryot to hold up crops for a better price. The buying firms may be buying against firm offers or even forward contracts but though they have the advantage over the ryots in their knowledge of European marketing conditions and of the price ruling at the moment, they have very little to go on in estimating the future trend of prices. It is thus entirely speculative for a grower to hold up his produce for a better market for any long period, but the exporting firms naturally try to buy up as much as they can at the harvest when the quantity coming on to the market at one time is bound to depress local markets, and if the ryot could stock his produce, he might tide over that depression but his difficulty is that he cannot say whether a depression is local or general. He knows only the local market and here an organization which can follow and publish prices can help him, for it can advertise prices at the distant markets, corresponding prices in local markets and actual rates quoted in those markets. Naturally he cannot get the Marseilles or Bombay price but he can get a fair local equivalent considering distances and transport facilities.

186. There is no particular difficulty in the dry taluks in getting to the nearest town, though it would be an exaggeration to say that such communications are good. They are not but as a country cart can go anywhere across country then, there is only the tedium of the journey but having done the journey the ryot wants cash for his produce. The produce is thus concentrated first in a number of local markets before it is again concentrated at the port of export. The further concentration is largely done by the export-

ing firms and where it is necessary to delay export or to obtain further funds to buy more, it is common to put it in godowns and get a loan on it from the Imperial or other bank or to borrow on shipping documents. Export is from a number of ports practically all doing some but the main feature of this business is the uncertainty of the market and the great fluctuations in the demand.

187. Again in the cotton business there are three fairly distinct marketing methods employed. There are three principal markets in the Ceded districts, at Adoni and Bellary in Bellary district and at Nandyal in Kurnool district. In Coimbatore the main market is at Tiruppur, while in the Tinnevelly area where the chief crop is Karunganni there are several centres, Koilpatti, Sattur, Sivakasi, Virudhunagar and others. In the Circars, Guntur and Kanchigacherla are the principal ones. Cotton.

188. The Adoni market is described in the Indian Central Cotton Committee's Report. An investigation into conditions in the Adoni market was made by the Central Cotton Committee in 1927. This report shows that very large amounts of advances were taken at the beginning of the cultivation season. The chief purpose for the loan is shown as 'domestic' but whether he pays for his seed and cultivation and borrows for 'domestic' expenses or pays for his food and borrows for seed the result is the same—the borrowing is in effect to carry on his cultivation and it is contrary to general experience that the amount of loan received is fully that signed for.

189. The evidence we have received does not support the suggestion that ryots were not hampered by the fact that they had borrowed and were generally under no obligation to sell to their creditors. We were informed that loans were granted either by the Adoni merchant direct or through the village money-lender who was in many cases financed by the Adoni merchants, but much of lending is from one ryot to another. There was invariably when the lender was the merchant the stipulation or understanding that the crop was to be sold to him. This is the ordinary course of such lending and it is obvious that the merchant advances money to ryots in order to get the ryots' crops. They are merchants first and money-lenders only so far as it is necessary to make advances to get the produce and we regard as curious the suggestion that ryots who have taken very heavy advances from merchants and sowcars are at liberty to dispose of their crops as they see fit. There may in such cases be no contract which could be enforced in a court but if those who depend for their maintenance during the cultivation season on merchants or village money-lenders who advance funds to secure the crop sell their produce elsewhere, they will be pursued by their creditors for the recovery of the debts in full and will have great difficulty in getting advances in future.

190. It would appear that the ryot takes his produce to the Adoni merchants and with the help of a dallal sells it outright. At the Bellary market, which is only 40 miles from Adoni, the

conditions are somewhat different. The dallals dominate the market to a greater extent and appear to be ubiquitous. They give considerable advances and of course always on the condition that the produce should be sold through them. The tendency for such a business, which depends on precarious advances to secure trade, is for it to deteriorate into purely a money-lending business, and through failure of crop and other reasons it is by no means unusual for the dallals to make bad debts and there have recently been a number of failures. The dallals themselves borrow, principally from the Marwaris at a high rate of interest but occasionally at a lower rate from the Imperial Bank. They are financed, however, largely on personal credit and seem to have some difficulty in view of the rivalry among them in getting the second signature required by the Imperial Bank.

Dallals.

191. Nevertheless there is considerable feeling about the methods of exactions of the dallals. It is, we are told, a common practice for the dallal to give to the seller less than the current price and in addition to commission on both sides to make a profit as well. There are samples taken and these are ultimately divided between the dallal and the buyer. The rate of interest charged on a considerable proportion of the loans is 12 per cent but this is about the minimum for pro-note debts and we are told that as much as 30 per cent is at times charged. The rates there are generally higher than elsewhere in the Presidency. While the weights used, as observed in the Cotton Committee's report, are notoriously inaccurate, we consider that the statement that " It (i.e., the discrepancy in the weights used) is a serious defect as it gives opportunities for decitful proctice in the weighment " seriously understates the case. The common use of false weights itself constitutes a deceitful practice of the first importance. The unsatisfactory weights used are not merely in the market town and we are informed that smaller merchants go to the villages and buy produce representing that they pay the same price as that prevailing in the market but actually making up for the cost of transport to that place by variations in weights. In addition there are deductions for dirt, charity, vattam and weighing charges. The system of dallali appears to be thoroughly unsatisfactory.

192. A considerable number of the ryots sell their cotton to the small merchants in the village. These merchants then sell in Bellary. The only result is that one more intermediary lives on the produce.

193. Considering the rates of interest and the other incidents, we consider that there is much scope for co-operative activities and there is room for great improvement in the marketing of cotton in this area and the provision of godowns and a co-operative sale society could provide markedly better conditions for the cultivator. There is a society in existence, but up to the present it has not made great progress.

194. In the Coimbatore area the system is on a dual basis; consumers buy direct from the ryot and merchants also buy through commission agents. Much of the cotton is bought in direct from the ryots and sold through a commission agent but there are also a number of smaller merchants who go round the villages buying up in smaller quantities at low prices.

195. There are certain crops which cannot be satisfactorily marketed direct at once. Such are tea, coffee, tobacco and others. A preserving and curing process must first be carried out. The big tea estates have their own factories and ship their tea to the London market themselves or through agents and the trade is facilitated by the fact that there is a constant flow of tea almost all the year round. The small grower, and there is an increasing number of people who grow a small patch of tea, must sell to the factory and there is no need now to discuss the prospects of any other facilities to such growers though it would appear that the creation of a tea market with a weekly auction would be to the advantage of the grower. **Tea, coffee and tobacco.**

196. Tobacco is another crop which can be sold only after curing. It is grown over considerable areas and throughout the Presidency but chiefly on the silt islands (lankas) in the deltas, and in Guntur and Madura districts to a very large extent. The bulk of it is cured by the ryot and sold locally in the same way as other produce but in Guntur there is much tobacco grown for the manufacture of cigarettes. The bulk is bought by one firm for its own use and though complaints were made on behalf of the ryots that they were kept waiting interminably at the place where tobacco was inspected and purchased and the price offered to them in the end might be reasonable or very far from it, we are unable to say that these complaints are entirely justified but the accounts we have had indicate a lack of organization. The inevitable result of having only one buyer is that he controls the price subject only to the limit that the ryot is not obliged to grow tobacco.

197. The middleman has up to the present played an essential part in placing the produce before the consumer. That he has rendered invaluable services and is still largely indispensable is undoubted but there are instances where there are far too many middlemen whether they are dallals, brokers, commission agents, or merchants. The need for a commission agent or dallal is not always obvious but the ryot seems happier to have one on his side in dealing with a merchant. The ryot with inadequate information on prices and commercial practice is at a disadvantage in dealing with a merchant. He may call in another dallal on his side to help in arriving at a bargain but it is doubtful whether this brings any material advantage to him. Much buying is done without them. Thus many of the large firms send their own representatives to the market centres whether it is for groundnut to Vriddhachalam or Vizianagram or for cotton to Tiruppur and buy direct from the ryots. **Part played by middleman.**

198. In many cases the middleman is also the financier but he lends to get the business and here two tendencies can be observed. The small seller finds this a hardship. He has borrowed and bound himself to one merchant to whom he must sell his produce practically at the merchant's terms and there is no doubt that this system has in the village operated to the detriment of the ryot's interests. On the other hand it has quite a different aspect with the big cultivator. The boot is on the other foot. The merchant has to advance to the cultivator; otherwise the latter will send his crop elsewhere to be cured or decorticated and sold. It is then sold through the creditor but the grower decides when it will be sold and being an educated man with some knowledge of the market he is not cheated.

199. The only known practical alternative to the middleman bringing in a vast number of small producers into touch with a large number of consumers at a distant place is the co-operative organization and the simplest test of the utility of the middleman is to examine the prospects of success of a co-operative organization in his place. If it costs as much to operate on a co-operative society as is paid to the middleman for the same services, there is very little prospect of the society being a success and it is not advisable to attempt to start such a society in this country at present. Many attempts at co-operative marketing have been made in this Presidency, some successful, some failures. Many cases have been examined and dropped. One such was that concerning the Kalalis, the toddy tappers in West Godavari district in which a large number of palmyra trees were tapped for sweet toddy. The toddy so extracted was boiled down on the spot and the jaggery so obtained sold ultimately at Nidadavole. The price which the Kalali got for his jaggery was very small compared with the ultimate price paid for the produce and two or more intermediaries made profits out of it. The Kalali had to pay a fee for tapping the trees, he had to buy a large iron basin and fuel to boil down the juice, and he had to live. He borrowed, but the small local dealer paid him little on the produce. It was calculated on a reasonable computation that over Rs. 1½ lakhs could be saved to the sweet toddy tappers if it were organized on a co-operative basis. The tappers were, however, illiterate and the whole of the management and clerical work would have to be paid for together with a crowd of persons to collect and supervise and altogether it was reckoned that if the tappers were loyal to the organization and did not largely sell outside it, the cost of running it would take all the profit and the matter was dropped. It is moreover quite unsafe to suppose that illiterate and ill-educated persons will stick to an organization of this kind through the difficult early stages in the face of the blandishments of persons interested in its destruction. This was the experience of the section of the milk supply organization in Madras which obtained the contracts for supplying milk to certain hospitals. It broke down, however, before it had been

going many months by the milkmen themselves striking and demanding even better terms from their own society. They were presumably instigated from outside. Other organizations have come to grief on account of dishonesty and defalcations but the general result of the experience is that a wide margin has to be allowed for only a portion of the produce passing through the society, for faulty and inefficient management and a deficiency in business experience and acumen. It takes time for a ryot to realize the advantage which accrues from honest dealing and fair measurement but it has been made clear that it is particularly in the early stages of marketing that the individual small ryot loses most. The-few-annas-a-bag profit which the wholesale merchant makes does not make a great difference to the small ryot but the forced sale on the threshing floor on the creditor's statement of what the current price is at a time when it is notoriously low, measured by him with his measures, on his calculation of interest, these are incidents which make a vast difference to the return for cultivation and it is at this stage that co-operative organization can help by the institution of godowns in which societies can deposit produce, obtain a loan to meet pressing demands for payment and sell on the best terms which present themselves.

200. It is only practicable to start more elaborate schemes for co-operative marketing where there is a necessary concentration of produce for despatch to a distant market or for consumption in bulk at a centre. This is the common factor of all co-operative marketing on a big scale whether it is "sun-kist" oranges or Canadian wheat or Danish butter or Coimbatore cotton. It does not apply to paddy and food grains and only to a limited extent to groundnut, but it would apply to tea, coffee, rubber, cardamom, pepper, ginger, copra, and turmeric. **Co-operative marketing.**

201. Co-operative sale has been started for cotton. There are societies at Koilpatti (with branches), Tiruppattur, Bellary and Nandyal. They are in their infancy and have not reached the stage of weekly auctions of graded produce of guaranteed quality but they are already being a success on the limited scale of allowing the ryot to put his cotton in godowns, take an advance on it, have it graded and sell it.

202. In regard to planting produce, there is too much disparity between the big and the little to enable them to combine readily and the diverse elements cannot readily be made to cohere and make common cause in improving their sales by instituting a market with warehouse accommodation for produce held against loans.

203. We consider that there is at present scope for considerable improvement in the marketing of produce. Specific regular markets are necessary for all important crops at the important centres of the trade in each, and when the trade is large enough **Organization of markets.**

there should be weekly auctions. These should be controlled by a marketing board in which the growers are strongly represented.

Godown societies.

204. There is a limited scope for co-operative organization for sale and until full societies can be developed which will grade, pack and sell under guarantee, it is desirable to develop godown societies which will take produce and give advances pending its sale. For this and for the larger amounts adequate godown accommodation is essential for it is only on produce in godowns that the loans can be given which will enable the ryots to pay their other dues at the harvest.

205. We consider that such godowns should as far as possible be provided by co-operative organization societies but the difficulty of raising the necessary capital to erect such godowns in the first place has been so considerable that we consider that the Government should lend more freely for the purpose and should, if necessary, run such godowns in the first place through the Co-operative Department.

206. In the markets to which we have referred dallals should operate under licence. Weights and measures should be regulated and constantly inspected by the market authorities while the prices prevailing in various places should be recorded, correlated and communicated for publication at each of these markets by central agencies.

Suggestions for developing co-operative marketing.

207. The difficulty of finding persons to carry on the business of co-operative sale societies must be mitigated by introducing closer study of the marketing of agricultural produce in the six co-operative training institutes in the mufassal and in the Central School in Madras. It does not appear to us essential that such persons should be trained in the technical methods involved in growing the crops but they must be taught and, if possible, given practical training in the technicalities of trade in the country and also study the methods which have been so successful in organizing co-operative marketing in other countries.

208. These co-operative institutes can, we consider, do a great deal to assist marketing by investigating through their permanent staff which should never be so overburdened with teaching as to become only schoolmasters, marketing conditions and by collecting statistics of prices of produce and costs of production by various methods and of marketing. They should in fact develop into schools of agricultural commerce.

209. We recommend that there should be a marketing officer under the Registrar of Co-operative Societies but we do not consider it essential that he should be selected from the Agricultural Department. He should be an expert in the marketing of crops but not necessarily in the growing of them.

CHAPTER VIII.

Internal Trade.

210. We shall in this chapter deal with all those movements of produce and goods in the hands of merchants. We regard the process of transporting produce and selling it as marketing so long as it is done by the farmer or producer, and thereafter, when it has been handed over to a merchant, as trade. We recognize, however, that this is somewhat arbitrary and it is impossible entirely to keep the two distinct. The chapters on Internal Trade and Marketing must overlap. The internal trade then consists of the concentration by merchants or a series of merchants of goods and produce for export up to the stage of delivery to the exporter at the port, of the distribution from the port to the tradesman who retails to the consumer of imported goods and of the movements of articles produced and consumed in the country between the merchant buying from the producer and the wholesale or retail consumer of the article in that form. Definition.

211. It is impossible and unnecessary to deal with the trade in all the innumerable articles in which there is traffic, but we shall consider certain typical articles in detail and also with the general channels of trade. The movement in cash or credits involved in such trade will be dealt with in detail in Chapter X.

212. The Presidency is supplied principally by the two railways, the Madras and Southern Mahratta and the South Indian Railways running north and west and south and west respectively from Madras. The Bengal-Nagpur Railway has a little in continuation of the Madras and Southern Mahratta Railway on the Calcutta route. The first main route is Madras to Calcutta, cutting through the head of the Pennar, Kistna and Godavari deltas with short branches to the ports, Masulipatam, now moribund, Cocanada and Vizagapatam. Other minor ports on the coast are not touched by rail. This line connects the Presidency with the coal-fields of Bengal and Singareni. The Bombay main line from Madras to the north-west, with its branches, taps the cotton areas of Bellary and Kurnool. Due west is the line to Bangalore and branching from this the South Indian Railway line runs to Coimbatore and the West Coast through the groundnut areas of Salem and Coimbatore districts and the cotton areas in the latter and all the planting produce that comes to it from the hills on both sides. Due south, the South Indian Railway main line touches Tanjore, Trichinopoly and Madura and connects with Ceylon by two routes Dhanushkodi—Talaimannar and Tuticorin—Colombo. This main line passes through the Tanjore delta and the Tinnevelly cotton area, the big groundnut areas of South Arcot, Trichinopoly and Madura districts are tapped by it and much tea and cardamoms come to it from the Travancore Hills. Railways.

Roads. 213. Everywhere there are roads but these are for purposes of distribution or collection of goods supplementary to the railway except with regard to hill produce. Much tea and coffee and rubber goes direct from the gardens by road to the ports and there are vast areas unserved by any railway and dependent on road or river transport. The bulk of road transport is by country cart but motor vans are used to an increasing extent for getting produce from the gardens and plantations on the Western Ghauts and other hills to the sea or railway. For passenger traffic motor-buses compete strongly with the railways.

Waterways. 214. Next in importance come the waterways. Madras is connected with the Kistna delta by the Buckingham Canal which is continued to the south of Madras for 60 miles. It runs parallel to and only a short distance back from the coast all the way and connects Madras with numerous salt factories and casuarina topes and shell deposits along this coast so that by this route 50,000 tons of firewood, 20,000 tons of shells (for lime), 4,000 tons of paddy, 4,000 tons of rice and 4,000 tons of salt besides a large number of minor items are brought annually into Madras, the total value being Rs. 40½ lakhs.

Madras similarly distributes by this route annually—

			RS.
1,100	tons of	provisions worth	3,75,000
180	,,	teak	29,000
180	,,	gunnies	68,000
65	,,	kerosene	60,000
		Miscellaneous	21,000
		Total ...	5,53,000

The canals in the Godavari and Kistna deltas again are highways along which a vast amount of paddy is taken to the markets and ports and rail centres for despatch to distant places, but they are not navigable all the year round: they are closed for silt clearance and for want of water for a period varying from two to six months. The rivers are similarly used but mainly for timber rafted down the Godavari from the Agency to Rajahmundry. This is a very cheap form of transport but the loss by pilferage is commonly very heavy. Similarly much timber goes to the West Coast by river from the forests in Malabar and South Kanara.

215. Finally there is a whole series of ports. The principal ones are Gopalpur, Vizagapatam, Cocanada, Madras, Cuddalore, Negapatam, Tondi, Dhanushkodi, Tuticorin, Cochin, Calicut, Mangalore, but there are many intermediate ones of all sizes and considerable quantities of grain and other goods are distributed in this manner. This coastwise traffic is seasonal, the landing of goods at the East Coast ports being difficult during the north-east monsoon, October to December, and on the West Coast during the south-west monsoon, June to September. Ports.

216. These are the main trade routes and it will be seen that on the whole the Presidency is well supplied with communication of one sort or another but the quality is capable of much improvement, particularly roads could be better and railways much extended.

217. The South Indian Railway main line south is a single metre gauge line but carrying capacity is being greatly augmented by the construction of chord lines and numerous branches while in the Madras and Southern Mahratta Railway area and on the South Indian Railway broad gauge line to the West Coast there have been recently further extensions which will facilitate trade.

218. The roads are better than they were and the main roads in particular are being developed, but their maintenance at the high level of excellence required for long distance motor transport constitutes a difficulty on account of the high cost. Motor transport is, we are informed, not cheaper than that by country cart but it is quicker and being on the road for a much less time is much safer. It has been developed only to a very limited extent and even then only for valuable produce such as tea, coffee and rubber.

219. Much is spent on the maintenance of through trunk roads, but for trade purposes it is essential that railway feeder roads should also be sufficiently numerous and in good order. Motor transport is not generally used for long distance trade. It will, we think, be many years before vans and lorries can compete with railways for such traffic but there must be good roads in order to get the produce to the railway with greatest safety and minimum of cost.

220. Railways have certain drawbacks but none the less provide the most efficient form of transport yet available. Road and inland water transport suffer from slowness and pilferage, while the coastwise trade is carried on with the exception of Madras from open ports. There are no other enclosed ports though others are in course of construction at Vizagapatam, Tuticorin and Cochin. The completion of these ports will greatly facilitate trade, import, export and coastwise.

221. The following statistics give the lengths of various communications:—

Lengths of the various communications in the Madras Presidency—

	MILES.
Length of trunk roads	3,206
Do. second-class roads	12,923
Do. other roads	17,582
Railways—	
South Indian Railway—	
Broad gauge	602
Metre gauge	1,495
Narrow gauge	99
Madras and Southern Mahratta Railway—	
Broad gauge	1,032
Metre gauge	1,060
Total ...	4,288

	MILES.
Canals and their length open for navigation—	
Godavari canals	507
Kistna canals	377
Kurnool-Cuddapah canal	190
Buckingham canal	262
West coast canals	121
Dummagudem canal	2
Vedaranyam canal	32
Total ...	1,491

Rivers which have been declared subject to the Navigation rules are—

(i) Godavari (between the railway bridge at Rajahmundry and the anicut at Dowlaishweram).

(ii) Kistna (for four miles above the anicut at Bezwada).

(iii) Endavalli vagu (for one mile above its junction with the Kistna).

(iv) Upputeru (Kistna district).

Sea coast	1,500 miles.
Area of the Presidency	141,705 sq. miles.

222. There are 1,788 licensed markets in the Presidency. The Local Boards (District and Taluk Boards) maintain 1,117 public markets and license 466 private ones while municipalities maintain 205 public markets. Even of these market places, where a daily or weekly market may be held, the number varies greatly from district to district, there being six each in Guntur and Nellore districts, but 144 in Coimbatore and 112 in Salem and 89 in Malabar. These are, however, only market places, where any one may sell his wares on payment of a fee and when the local body has kept the building in order and collected their fees, its duty is done. Licensed markets.

223. Every one is at liberty to buy and sell what they choose. They use what weights and measures they see fit and no attempt is made by any authority to ensure that measurement or weighment is accurate. No doubt weights, measures and instruments sold by reputable firms are correct but even these can be tampered with and when we contemplate the very primitive substitutes for weights, lumps of iron and bits of rock, used with patched and battered scales and the worn and dinted measures, prices quoted become no more than approximate and it is possible to buy and sell at the same rate and yet make a profit. It is time it became the business of some one, more responsible than an ill-paid clerk in the Revenue Department, to see that the weights and measures used in a market are more than a very rough approximation to what they should be. It is of little use to expect the ryot or the purchaser in the market to realize the benefits of correct measurement when they rarely even see a correct measure and have no standard by which to judge the manner in which they lose in every bargain they make. The system of selling goods by auction does not exist to any material extent in this Presidency; all sale is by argument. We consider that in addition to these market places or shandies there should be controlled markets for important commodities of commerce including produce and cattle, and we have referred to them in the chapter on Marketing.

224. We shall deal now with the distribution of imported goods and consider the case of a small merchant engaged in this business. Imported goods are mostly handled by big European agency houses and they mostly arrange their own financing. The importing firms hold goods on account of these buyers and give delivery on short-term credits of 30 and 60 days' pro-note. Pro-notes are generally kept in the custody of importing firms and retired on the due date. The local merchants who buy goods from these import firms on 30 and 60 days' credit distribute the goods on credit to the mufassal merchants mostly on open account and partly on hundis, or pro-notes on 75 days' credit, but these are not often paid on the due dates and it takes the form of a running account. Bills and hundis play only a small part in these transactions and not to the extent to which there is scope for their use in the trade. This is attributable to the reason that these retail Distribution of imported goods.

merchants are not in the habit of keeping bank accounts. The absence of a regular system of hundis or bills based on inland trade in the country is a great drawback. (See Mr. Madon's note on page 3.)

225. We have examined the case of a merchant importing stationery at Cocanada. He worked on his own capital but on occasions borrowed on pro-note from local Vaisyas at 9 to 11 per cent. The bigger banks might give the accommodation but the second signature they required was considered a trouble. The goods are then sold piece-meal to small merchants who either retail them themselves or sell them again to the shop-keeper. The terms of these sales are commonly at 1 to 2 weeks' credit without security. Any outstanding beyond that is charged with interest at 12 per cent.

Existing credit facilities.

226. The bigger shops have their own capital and also buy on credit from importing houses but they also supplement their resources from Multanis and other banking firms.

227. The shop-keeper, particularly the petty one, who has a stall or small shop in the bazaar must often borrow, and one common form of lending is the kandu or kisti or thandal loan given by smaller money-lenders. A lump sum say Rs. 100 is lent but interest is collected in advance, only the balance being given. Thus it is common to give only Rs. 90 for a Rs. 100 loan. The whole Rs. 100 is then repaid by daily payments of Re. 1 for 100 days. In this and in all such cases, the interest is high though the conditions of the loan are apt to mask the rate. The Marwari and other similar financiers also lend money on pledge of goods, the rate being low in the first place, 9 per cent per annum being common but after 90 days a period within which the borrower is often unable to repay the loan, the interest goes up to 20 to 24 per cent.

228. In considering loans of this kind, it is necessary to remember that loans to petty shop-keepers on their personal credit are very precarious affairs and rates go up accordingly but for loans fully secured by pledge of jewels or other goods it is difficult to find a justification for high rates of interest and the simple fact is that advantage is taken in such cases of the urgent need of the borrower.

229. Those who need credit in fact for stocking their shops obtain it in two ways, firstly by obtaining goods from the wholesale merchant on credit and next by borrowing on the strength of the stock-in-trade, if necessary, keeping out only sufficient for immediate sales and place a part under the banker's lock and key. The banker or bank to whom they go and the rates they pay depend largely on the standing of the tradesman.

Paddy trade.

230. We shall turn now to the trade in food grains, e.g., paddy. We have observed in another chapter that the marketing is partly free, the ryot taking his produce to sell in the

market as he sees fit, but is very frequently encumbered by loans with a more or less formal provision for selling to the merchant or broker who has given advances or loans for the cultivation of the crop or the maintenance of the ryot and his family. What happens after the merchant has secured the produce varies from district to district. If it is for local consumption it must go into godowns for a time, for paddy is rarely in the market locally for consumption until it is about a year old and that means that the paddy must be stored. Consequently the Imperial Bank of India does a considerable business in granting short-term loans on rice and paddy in godowns but the indigenous bankers do much money-lending on personal credit and facilitate remittances by the grant of hundis. The food grains required for local consumption is not shifted far and the finance required is what is necessary to enable the merchant to hold it pending its arrival in the retail market for consumption. There is no long distance remittance to be made and all that is required is some credit agency to fill a part of the merchant's capital sunk in that crop. This can most suitably be done by storing in a godown. Loans may then be got from the Imperial Bank of India or Multani or Marwari or Vaisya bankers who have already given loans to the merchant holding it, will take charge of the key of the godown, and release it as occasion arises. In the Godavari delta to take one instance—much paddy is sent to Cocanada for export. It goes to Cocanada by rail or road or canal boat and it may be the ryot or the village merchant or the merchant's agent who takes it there. They must bear transit charges and the village merchant must make his profit. At Cocanada it goes to the commission agent or khaida merchant and he arranges for its sale, either to the mill-owners who sell it again raw or boiled to the exporting firms. The khaida merchant charges—

(*a*) commission at one anna per bag,

(*b*) kolagaram, i.e., charge for weighing—Re. 1 for 25 bags,

(*c*) dharmam or charity—4 annas per cent,

(*d*) gumasta's rusum, i.e., fee or mamul to the merchant's clerk—4 annas per cent,

(*e*) interest in advance,

(*f*) godown rent for storage pending sale.

But the mill-owners may themselves send out their own agents to the village to buy up the paddy. Sales in the village are generally for cash but there may be a short credit, and produce sent to a mill through a commission agent is paid for only after delivery to the mills and frequently there is one week's credit; in such cases, if, however, the ryot who has taken paddy to the commission agent for sale is in urgent need of money, he is paid by the mill-owner a sum on account on the order of the broker or what is called a bharatam but is actually a bill or exchange addressed

to a merchant in the form "Please pay to A.B. or order the sum of Rs. ——— and debit the sum to my account". The mill-owner again sells through a broker to the exporting firm.

231. The exporting firm may be one of a few large firms engaged in this trade who export direct to foreign ports recovering through the exchange banks; but smaller firms are engaged in the coastwise trade and these ship their goods, draw a hundi or a bill of exchange on the consignee and discount it with the local bank. This hundi should of course be accepted before discount, but such documents are often in the form of a pro-note on which the discounting banker gives a cash advance. They send the shipping documents to the bank at the port of consignment for delivery to the consignee on payment (D/P). Coastwise trade and rail-borne trade follow the same general system and the bulk of it is done on hundis which are discounted locally but only in the case of a few towns and the bigger ports are there banks of standing through which collection of payment can be made.

232. There are thus in operation at the same time a number of different channels for this trade. There is much buying and selling but no organized or controlled market and no one to control weights and measures. The ryots grow what their fancy dictates and there are innumerable strains and varieties for him to choose from. No one will agree to his produce being lumped with that of others. Each ryot insists that his own grain must be sold individually, for some grain may fetch a trifle more than another, and when there is no accepted standard grain and no grading to distinguish even between clean and dirty, serious obstacles are placed in the way of more profitable trading by pooling at an earlier stage or storing in bulk, and the use of labour-saving devices, such as elevators, at a large central market where all goods for sale outside the immediate vicinity could be handled then becomes impossible. There is thus no standard trade article and no guarantee of the quality of the stuff exported from that trade centre. There is only a medley of merchants, big and little, each trading on his own personal credit, borrowing from Marwaris, Multanis and money-lenders on pro-notes or on produce or jewels or from the big exporting firms and generally at rates which constitute a heavy tax on any trade. A curious further practice is followed by some of the Marwari bankers who lend to small merchants and collect not only interest but also commission at 3 to 6 pies per bag on all goods purchased by that merchant with the loans so taken.

Groundnut trade.

233. We shall now consider the inland trade of a few particular lines of produce. Groundnuts are exported from all the principal ports but this trade is almost entirely in the hands of a few large merchants or firms. These firms have agents at all the principal groundnut centres which exist throughout the dry areas of all districts and the extent of this trade can be gathered from the following figures:—

Area under groundnut crop in the various districts in the Madras Presidency—1928–1929.

District.	Area in acres.	Amount of produce in tons.	Value in rupees.
Ganjam	40,714	23,400	25,45,920
Vizagapatam	96,317	53,000	57,66,400
East Godavari	469	270	29,376
West Godavari	4,261	2,130	2,31,744
Kistna	26,556	15,300	16,64,640
Guntur	221,862	111,000	1,20,76,800
Nellore	10,729	5 630	6,12,544
Kurnool	478,980	251,500	2,73,63,200
Bellary	515,603	168, 00	1,83,65,440
Anantapur	425,439	219,000	2,38,27,200
Cuddapah	272,134	129,300	1,40,67,840
Chittoor	136 861	68,400	74,41,920
Chingleput	[illegible]8,611	27,800	30,24,640
North Arcot	460,772	221,000	2,40,44,800
South Arcot	482,978	224,600	2,44,36,480
Tanjore	90,643	44,000	47,87,200
Ramnad	33,635	17,300	18,82,240
Tinnevelly	4,611	2,000	2,17,600
Madura	76,894	38,100	41,45,280
Trichinopoly	116,971	53,300	57,[illegible]9,040
Salem	156,029	72,600	78,98,880
Coimbatore	171,961	80,800	87,91,040
Malabar	2,276	1,100	1,19,680
South Kanara	1	..	..
Total ..	3,685,319	1,830,330	19,91,39,904

A certain amount of this is crushed locally for oil and the oil-cake used for manure or cattle food and this is particularly the case in the Madura area where about half the crop appears to be used in this manner; the rest is exported as kernels.

234. The decorticating is done by machines or by hand but mostly now by machinery. It may be done by the ryot paying coolie for decorticating or by the merchant who buys it from him; but the small ryot must sell it as nuts, while the bigger grower will commonly have it decorticated and sell only kernels. In either case the grower ordinarily sells for cash either to a small merchant or to his agent who goes round the villages, buys and carts to the market. The local merchant having bought with his own resources may himself despatch the goods to the port (e.g., Bombay) to sell and payment is made to him by hundi on sale to exporters or he may have obtained accommodation from the local Multani bankers to buy and despatch the produce. Such accommodation is based on the personal credit and is covered by a hundi which is sent to the port for collection on the sale of the goods at the port, but commonly this small merchant sells to the wholesale merchants' agents for cash. The exporting agent also buys direct from ryots but most of it goes through the small merchant. There may be a

second intermediary but this is neither necessary nor usual and the wholesale merchants who are themselves the exporters have agents to buy at all the principal centres during the season. They obtain funds from the local branches of the Imperial Bank of India by arrangement on the security of their own funds in the first place, but in places where there are no branches of the Imperial Bank and on occasions even where there are such branches, these firms are accustomed to supply their agents with funds by sending it to them by insured post. When the goods have been purchased they may be put in godowns and a loan got on them to release the funds of the firm to make further purchases; this business is chiefly done by the Imperial Bank. In other cases the groundnuts are handed over at the port for shipment and the exporting firm is able, on the strength of the shipping documents, to get advances either from an exchange bank or from another bank which will itself have to recover through an exchange bank. If the exporting firm's credit is strong enough these advances are got on clean bills, otherwise shipping documents are handed over to the bank which delivers them to the European buyer on acceptance or, more commonly, on payment of the bill.

235. The movement of the crop is thus financed in the first place by local merchants who are dependent on their own resources, and beyond that on their credit with local money-lenders or bankers who lend on the personal security of the merchants ordinarily at 12 per cent to 15 per cent but it may go to 18 per cent for small loans, on doubtful security the rate may even go occasionally to 24 per cent, and with local banks which lend at a somewhat lower rate. The further concentration at the port is done on the credit of the wholesale exporters who are able to keep themselves in funds by borrowing from the Imperial Bank and the exchange banks at or slightly above the bank rates.

Cotton trade.

236. The case of cotton is different and more methodical for there are several recognized large markets. The principal of these have been referred to elsewhere; it is only necessary to observe here that the crop passes out of the ryot's hands to the merchant who has lent him money for his domestic and agricultural expenses. When there has been no advance, the ryot usually takes it to the market himself in his own cart. At the market the commission agent comes to the front. It is the dallal, the commission agent or the broker who arranges the sale to the merchant and the ryot may take his produce to the merchant with a commission agent and settle the bargain on the spot, as we are informed is commonly the practice at Adoni, or he may take the produce to the dallal who receives it and stores it and then proceeds to sell it to a merchant sometimes himself giving the ryot an advance on account. The merchant then must sell it to the consumers' agent on the spot or despatch it to the Bombay or other market for sale and in the latter case payment is made by hundi drawn at, say, Bellary and collected by the Bellary bankers' Bombay agent or principal or correspondent.

237. At any stage the cotton may go into a godown and a produce loan be taken on it from the Imperial or other bank if it is not sought to put it on to a further market or to export it at once but the intermediate credits by the Multani bankers are granted on the sole personal credit of the merchant holding it at rates of interest commensurate with the risks taken in such a business or these credits may be given by the Imperial and other joint stock banks on a pro-note with at least one entirely independent surety. On the one hand is the complaint that the large bank will not take the risk of lending on the reputation of a single merchant. On the other hand the banking firms which will grant such loans will only do so at rates which the merchants find high. The merchants want a bank which will take a big risk and at the same time lend at a low rate. The Indian consumer is, however, getting closer to the producer and mills have now their representatives buying for them direct from the ryot or small merchant who brings cotton into the market. It is not the usual practice for the mills to buy through a managing or other agent who gets a commission on everything that goes into or comes out of the mills.

Brass vessels.

238. It is next necessary to consider an example of trade in goods manufactured in the country and distributed—such are all the products of cottage industries and we will consider the question of brass vessels. These are manufactured in a number of places and the merchant on the spot buys direct from the manufacturer who has commonly been given an advance for his expenses and purchase of material and either he or the manufacturer, who has enough capital of his own to work independently, despatches on order to the merchant in a distant market. If the distance is great and the consignee unknown to the consignor, the railway receipt and bill are sent through a bank for collection before delivery of documents. In other cases the goods are sent on credit and charged interest at 12 per cent. Payments are made through a bank, for example, in Madura the payment will commonly be made by a Chettiyar hundi or draft in the course of a month or two. The local merchant who obtains brassware from various manufacturing centres sells again to the retailer or shopkeeper—usually on short credit but interest at 12 per cent is usually charged. If accommodation is required for this business it is commonly obtained at 12 per cent to 24 per cent from the banking communities on the merchants' personal credit but the trade is largely carried on with the merchants' own capital though when goods are transmitted to a distance it is common to draw a bill or hundi and get it discounted or cashed locally.

Skins and hides.

239. Finally we shall consider the very big business in skins and hides. Madras exports about Rs. 7 crores, worth of tanned skins and hides annually, and the total output of the Presidency is 12 to 15 crores. The bulk of the raw material is produced locally and is collected locally by petty merchants who take them to the weekly shandies or to bigger merchants or tanneries

and sell them for cash. When they go to the second merchant either direct or at the shandy, the next step is to take or send them to various mandi merchants who are commission agents and merchants. They give an advance on the goods deposited with them for sale or on the railway receipt when the goods are despatched to them by rail or they may have given an advance to the merchant to get the skins. The mandi merchants on the other side deal direct with tanners. The mandi merchants pay their collecting merchants either by hundi or in cash by insured post.

240. The business in this way is financed partly by the mandi merchant and partly by the tanneries and the collecting merchants use what small capital they have themselves but for the actual hides and skins it is usual to pay cash. The bigger tanneries have their own collecting agencies at various places and then rail the skins they purchase direct to the tanneries. Many of the tanners also buy at the village markets or shandies. Where there are big slaughter-houses, the tanners buy direct from the butchers for cash. Purchases in North India are paid for either in cash or by usance or sight hundis but if agents are employed for this instead of the tanners' own men, money is sent to the agent by bank draft or by insured post or again by hundi and the payments to the agent are made often after the goods are received at the tannery. This credit is carried on in an open account and on account of the distances and the little mutual knowledge among the parties hundis are not greatly used.

241. The mandi merchants seldom go to the joint stock banks and not often even to the indigenous banks. The finance of the tanneries themselves will not be dealt with here but the finished leather is either exported and the value drawn against shipping documents or sold locally. Many tanners sell their goods at the mandis or in Madras and the mandi merchants sell to the Madras firms who export either on firm orders or for sale in the London auctions. In this way they are able to obtain payment while the mandi merchant export house and the bank which gives advances on shipping documents share the financing. The smaller tanners frequently work on advances from the exporters on the security of their stock-in-trade augmented, if necessary, by the immovable properties they own, or they receive advances from the mandi merchants through whom they deal and the interest on such advances is usually 9 to 12 per cent, but it will be seen that there is not a great deal of borrowing outside the trade.

242. The prospects of success in opening a local market with periodic auctions and with warehouses for stocking goods as a basis for credit prior to sale and with adequate facilities for finance appears to us to be worthy of very careful consideration, particularly in view of the fact that this trade is at present suffering from a serious depression.

243. The internal trade is financed partly, largely, in fact, by the capital of the merchants of all grades and of the large trading firms. These resources are supplemented by short-term credits of joint stock banks which discount hundis and bills and by the banking and money-lending communities who lend money in the form of credits covered by hundis based on genuine trade transactions and also give advance on pro-notes on personal credit to tradesmen and merchants well known to them for the purchase of goods. These banking communities include in this connexion the Marwaris and Multanis, Nattukkottai Chettiyars, the Telugu Vaisyas and the Kallidaikurichi Brahmans in Tinnevelly. Existing credit facilities.

244. Their hundis can be discounted with the Imperial Bank of India which also grants loans and cash credits to the merchants but requires two signatures to pro-notes in such cases. Most of these agencies, the Imperial and other joint stock banks, the indigenous banks and banking communities will also grant loans on produce but commonly a great deal of this business is in the hands of the Imperial Bank of India while the indigenous bankers do not appear to do much business on this basis. The reason presumably is that a merchant can get loans from the Imperial Bank on this security at rates far below the ordinary lending rates of interest of the money-lenders.

245. We have then the three main sources of finance for internal trade in addition to the capital owned by the merchants themselves in the Imperial Bank, the smaller joint stock banks and the groups of bankers and money-lenders of various communities. Two other organizations play a minor part namely the urban co-operative banks which in some cases as at Hindupur definitely lend to the smaller merchants, a line of business capable of much development by such banks, and the nidhis of which a few are doing ordinary banking business and lending for trade purposes. These various institutions are linked up only to a small extent. The Multani has his own finance centred at Shikarpur and his credit is enhanced by the fact that he is one of a large and wealthy community while if his reputation is good his community will help him if he gets into difficulties. The same applies to the Marwari and Nattukkottai Chettiyar and to a less extent to other communities but their methods are different from those of the joint stock banks; they rely more on personal knowledge. They take risks and lend at higher rates of interest; consequently they make big profits and many bad debts while the joint stock banks require more security to enable them to carry on successfully on the small margin on which they must necessarily work. In the ordinary course they make few bad debts but may be badly cheated on occasions.

246. Again when we come to the facilities required we find a need for licensed warehouses in which goods can be held pending sale and pledged, the resulting document being available as an Further facilities required.

instrument of credit. These should, in the case of agricultural produce, of course, be in connexion with regulated markets and there is a need for a bureau of commercial intelligence from which current prices can be communicated to various markets and merchants. For trade purposes it is desirable that private agencies should build and run these and we recommend that the Government should assist such enterprise by granting loans for the purpose repayable over a long term. Roads, particularly railway feeder roads, need to be improved, hundis should be standardized and the absence of any accepting houses is a distinct gap in the financing arrangements for internal trade.

Consumers' credit.

247. The credit required by the consumer of goods who requires them for manufacture or consumption during processes of manufacture is dealt with in discussing the finance of industries and it is necessary now only to discuss the credit required by individual consumers.

248. There is one co-operative stores society, the Triplicane Stores, quoted in many places as the only really successful co-operative stores. For various reasons it made only a very small profit last year in spite of the comparatively big business it did and the size and consequent cost of the staff employed and failure to buy as cheaply as possible are perhaps two of the major causes for failure to make adequate profits. There are, however, other co-operative stores which are smaller but in their more limited sphere more successful, and these are almost all in large towns. In the smaller towns there are also one or two, but in the villages they are non-existent. The reason for this is not far to seek. In the country there is the staple diet, grain supplemented by vegetables; condiments and meat and fish are required in comparatively small quantities; cloths and other articles of clothing are needed but only in small quantities.

249. In the large towns the householder must purchase these in different places but many articles of food do not keep long, and cold storage facilities remain to be developed. Consequently for perishable goods he must go and buy them at the market where there is a daily supply and a co-operative stores with a small and fluctuating demand must consequently start with non-perishable goods, grains and condiments, cloths, stationery and the like and trade must be done on such a scale that overhead cost of competent management can be met while still selling goods of good quality at competitive prices and give the purchaser a small bonus to show that it is worth while to deal with such a stores. The moral benefits of co-operation are not enough to keep a stores going, there must be a clear material advantage for continued success. This advantage can only be shown in large towns where enough turn-over can be expected to provide adequate margins to pay staff. Honorary directors are excellent guidance but honorary management is amateur management and it may be well enough to run a

stores stocking one or two simple lines of goods but that is not what is generally understood by a shop or co-operative stores and it requires as much apprenticeship and experience to run a large shop successfully as it does to conduct any other technical enterprise.

250. Further, in the small towns and in the villages many grow their own grain and vegetables or have relations who do so or have some connection with a village where they can get their grains direct from the ryot, or they can go to the local shandy and buy from the same merchant direct from whom the co-operative stores must itself buy and at the same price. In such cases a stores can only deal in goods bought from a distance—and that excludes all the locally grown foodstuffs—a very large item. A number of articles it can deal with at a profit but in these it completes with the small shop-keeper and with the old woman who has a stall at the shandy. The stores must keep accounts as well as sell the goods and this cannot be done on the sale of only minor items in the domestic budget and the stock must be watched and checked against wastage and leakage.

251. The scope for such stores in an agricultural and mainly vegetarian country where fuel for heating is not required and clothing is scanty is therefore small and this again results in difficulty in raising adequate capital. Even where such stores are possible without adequate capital, it is useless to attempt to run them for the rates at which money can be borrowed are enough to kill any stores run on borrowed money.

252. We have had occasion to remark elsewhere on the faulty nature of weights and measures. These again are competitors with co-operative stores for the latter cannot use them.

253. Another difficulty is that the consumer expects to buy on credit on the same terms as though he bought for cash, but many a shop-keeper has failed on account of giving credit to his customers. Any credit given must be taken into account in fixing the price of the goods. Interest cannot be charged for that simply drives away custom. The interest must of course be paid in one way or another for the merchant has got to find the funds for that credit but it must be camouflaged in the price or the weighment, and what is possible in a large shop, where the overhead cost is less in proportion and the price could accordingly, but for the need of allowing credit, be cut, is not possible in the case of a small one, particularly a co-operative stores where the management is not driven by self interest to adopt every possible device for economy in conducting the business.

Weights and measures.

254. There will be more scope for co-operative enterprise where Government backed by public opinion enforces the use of only correct weights and measures. Until that is done and until there is the possibility of enforcing the recovery of small debts rapidly and efficiently, it does not appear worth while to discuss the development of cousumers' credit further.

CHAPTER IX.

INDUSTRIES.

Organized industries.

255. There are in this Presidency a number of organized industries, but apart from cotton and tanning they are none of them of outstanding importance. There is quarrying or, as it is called, mining for magnesite, manganese ore and mica. There are match factories, silk-weaving, soap-making, wood-working and saw-milling artificial manures and paper manufacture. There are brick and tile works mostly on the West Coast, manufacture of aluminium and aluminium vessels, oil-crushing, coir-making, the manufacture of sugar, confectionery, cigar and cigarettes. These are organized in the sense that they are run by limited liability joint stock companies, public or private. Then there are those industrial processes which prepare agricultural produce for the market—rice-hulling, groundnut decorticating, cotton ginning and pressing, sugarcane-crushing, coffee-curing and tea-manufacturing.

Existing credit facilities.

256. The fund required for capital expenditure on such industries cannot be found by any of the existing banks, for their funds are practically all short-term deposits and they cannot lend for the long term required. In the case of a few co-operative enterprises, notably at Kallikurichi, Tindivanam and Arasur (Shiyali) the local district co-operative banks lent considerable sums. At Kallakurchi, they carry on sugarcane-crushing and the manufacture of jaggery, oil-crushing, rice-hulling and groundnut decortication. At Tindivanam they undertook hulling of rice and cotton-ginning and the grinding of bones while at Arasur, they manufactured bonemeal and hulled paddy. Kallakurchi is generally considered to be a success. The Tindivanam society is struggling. The Shiyali society has gone into liquidation and the bank lost about Rs. 20,000. These banks were able to lend these amounts to these societies but could not have lent to a number of such concerns. There is no industrial bank at present and there does not appear to be any likelihood of one being formed in the near future. To be a success it must be in a position to lend for considerable periods. If the public is unwilling to subscribe to the share capital of companies direct, there does not seem any great reason to hope that they will subscribe much to the capital of banks which will lend to those industrial concerns which are unable to attract adequate share capital direct. The experience of the past in the flotation and running of industrial banks is not entirely happy.

257. When the funds required are not for capital expenditure but for working expenses it is possible to get a cash credit from the existing banks on the security of the stock-in-trade which may develop into a mortgage debt secured on the plant and other real property if things do not go well. The problem relates more, however, to providing for capital expenditure than for running charges.

258. The only facilities open to the promoters of industrial undertakings who cannot raise the required capital by their own funds or public subscription are the money-lenders and the Government. The former can and do lend money for such purposes but their rates are generally too high to be of much practical value. The Government's assistance is confined to the provisions of the State Aid to Industries Act, which empowers them to aid new and nascent industries or industries newly introduced into an area (or cottage industries), provided they are registered in India as rupee companies and comply with the Government rules on the constitution of the Board of Directors, by — Government aid.

(*a*) granting a loan,
(*b*) guaranteeing a cash credit with a bank,
(*c*) subsidizing research on the purchase of machinery,
(*d*) taking up shares or debentures,
(*e*) guaranteeing a return on part of the capital,
(*f*) by grant on favourable terms of land or raw materials.

Up to the present the following statement shows what has actually been given up to the 1st January 1930:—

Loans granted under the State Aid to Industries Act up to 1st January 1930.

Number and name of borrower.	Amount of loan sanctioned.	Purpose for which loan was granted.
	RS. A. P.	
1. Messrs. Muppana Somaraju and Veerraju, Peddapuram.	50,000 0 0	The development of their silk factory so as to permit of the preparation twisting and dyeing of silk for handloom weavers.
2. The Carnatic Paper Mills, Ltd., Rajahmundry.	(*a*) 4,00,000 0 0 (*b*) 30,000 0 0 (*c*) 20,000 0 0 (*d*) 9,000 0 0 (*e*) 5,000 0 0 (*f*) 7,000 0 0 (*g*) 6,462 15 0 (*h*) 1,50,492 5 4 (*i*) 21,260 3 8	The development of their paper mills at Rajahmundry. Item (*h*) represents amount paid in discharge of a guaranteed overdraft; the other amounts represent loans granted subsequently.
Total ..	6,49,215 8 0	
3. The Canara Rice and Saw Mills, Ltd., Coondapoor.	9,600 0 0	The purchase of a vertical bandsaw.
4. Mr. D. Rangaswami Nayudu, proprietor, the Andal Mills, Gudiyattam.	5,000 0 0	The setting up of two cotton gins.
5. The Kallakurchi Co-operative Agricultural and Industrial Society, Ltd., Kallakurchi.	18,600 0 0	The development of the industries carried on by the society, viz., groundnut decortication, rice-hulling and sugarcane crushing.
6. Mr. Muthyala Seenappa Ramanna, Bellary.	20,000 0 0	The provision of working capital for his safety match factory at Bellary.

Loans granted under the State Aid to Industries Act up to 1st January 1930—*cont.*

Number and name of borrower.	Amount of loan sanctioned.			Purpose for which loan was granted.
	RS.	A.	P.	
7. The zamindars of Belgam and Parvatipuram.	11,000	0	0	Development of their pyrotechnic match factory.
8. The Salem Dye Works Syndicate, Ltd., Salem.	10,000	0	0	To clear off liabilities.
9. The proprietors of the Ram Ram Safety Match Factory, Tholampalayam.	500	0	0	The provision of working capital and development of the factory.
Total ..	7,73,915	8	0	

It is under contemplation, we are informed, to increase the possible assistance, enabling the Government to give loans to 100 per cent of the net assets of the business instead of 50 per cent as at present; but it is noteworthy that of the loans given up to date the only big item is the Carnatic Paper Mills which has been taken over by a new concern and the Government have accepted 4 lakhs and written off Rs. 3,87,000 of the loan and interest then outstanding. The first item on the list, the silk factory at Peddapuram, has, we are informed, been a success; the third, the Coondapoor mill, has failed to pay instalments and steps are being taken to recover outstandings. It cannot therefore be described as successful, the same applying to the Andal mills at Gudiyattam.

259. The Kallakurichi factory has ever been successful though it is not clear why, with the co-operative organizations behind it, it is unable itself to raise very ample capital locally.

260. The match factory has not succeeded, quarrels were followed by a fire and steps are being taken to recover the loan amount. The Parvatipuram factory is considered satisfactory and the Salem works are only struggling on.

261. In another case the Government decided not to grant a loan at a lower rate when a bank of repute was able to provide finance for running charges at ordinary commercial rates of interest.

262. It will be seen that the Government's attempt to assist industries in this matter have met with small response and less success, but one cannot expect that the offer of loans for commercial concerns in a land developed commercially only to a very small extent and educated more on academic lines than in industrial and commercial practice would at once produce an outburst of feverish activity. Prosperous industries can only be developed very slowly but for acceleration all reasonable facilities must be available and one thing that is missing is an adequate banking organization. Money-lenders and indigenous banks there are but these charge rather high rates and the commercial banks are few in numbers and mostly small.

263. The fact that the co-operative banks have on the whole a surplus is a further indication of a fact which we have observed generally, namely, that it is more a lack of confidence in individual promoters of companies than lack of resources that prevents enterprises from being able to procure adequate capital by public subscription. It is true that the investment habit has not been developed but there are great resources awaiting exploitation. Tanning is a very important industry in this province and though it is in existence in other provinces also about 75 per cent of the tanned hides and skins exported from India come from this Presidency. There is not much financing of the industry by banks as distinct from the export trade. It is mostly carried on with the owned capital, but they borrow from exporters and mandi merchants.

264. Cottage industries are an entirely different matter and an examination of the case of weavers will suffice as a general statement of the condition of all cottage industries. The capital required for investment is not great. The weaver wants a loom, the artisan a few tools, the dairyman requires a few cows. If he has not himself the necessary capital, he must do as any one else must do who has no capital, he must borrow or work as some one else's employee. Generally they borrow in either case, and not only for their capital expenditure but also for their current expenditure. They appear to live largely on what they are going to receive, having borrowed, and if they make any sum beyond what they must repay they spend it before they start to work again. We select weaving because it is the principal cottage industry employing a very large number of workers and because its position has been examined a number of times from many points of view with great care, principally by the Industries and Co-operative Departments. The Co-operative Department has in fact done a very great deal of work in organizing societies of various kinds to provide raw materials, to grant loans and to facilitate marketing. The result is apparently not commensurate with the amount of labour put into it and the following figures show the facts on 30th June 1929:— Cottage industries—Weaving.

Purchase and sale societies exclusively for weavers.

Number—45.

	RS.
Raw materials—balance on 30th June 1929 ...	9,000
Bought in the year	87,700
Sold	93,500
Balance left	5,100
Finished products—opening balances	6,800
Purchased from members during the year ...	18,000
Sold to public	23,300
Closing balance	1,700
Cost of management	4,800
Profits of those that worked at profit	4,400
Loss of those that worked at loss	5,900

Credit societies of which more than 60 per cent of the members are weavers.

Number of societies—86.

	RS.
Share capital—Paid-up	70,700
Members' deposits	18,300
Reserve fund	42,800
Loans from non-members and from other societies (central banks)	4,21,500
Working capital	5,10,500

The Industries Department has done much to improve the industry, but no attempts can be successful without taking into full consideration the man himself and from all the experiences gained one fact stands out prominently. There are educated and enlightened men among the weaving communities, but it must be recognized that the rank and file, whatever they may have been in the past, enjoy an unenviable reputation to-day. Any attempts at economic improvement must be preceded or at least accompanied by a temperance campaign for members of the community are not uncommonly ill-nourished and inert as well as being uneducated. Poverty is accentuated by excessive drinking, and whichever is cause and which effect the absence of any ambition is marked. The incapacity for sustained effort must be considered and loans can only be given with great caution, while efforts to help can only have very slow results. It is idle to expect that a scheme to increase output and ensure better prices by marketing facilities will be eagerly seized and made an immediate success. Enthusiastic effort on their part might produce such a result, but enthusiasm still remains to be fostered among the mass of them and effort requires stimulation and better nourishment than any of them get at present.

Conditions of work.

265. The cotton-weaving communities must be considered according to the conditions under which they work and the different conditions prevailing may be enumerated as follows:—

(*a*) There still remain a certain number of weavers who weave cloths to order by ryots. The ryot gives the yarn, the weaver makes the cloth and receives payment for his labour. This system is no longer common but instances of it have been known.

(*b*) The weaver buys his yarn, makes cloths, sells them in the local shandy or hawks them round the villages and carries on with the sale-proceeds.

(*c*) The weaver buys the yarn from a local dealer on credit, sells back the cloths to him ; and

(*d*) the weaver is supplied with yarn and advances and returns the cloth to the sowcar or master-weaver.

The fourth class (*d*) are general, seriously in debt and those in the third (*c*) are little better off. They are not at liberty to sell when they see fit and they are in debt, and this applies also to wool-weavers and especially to carpet-weavers. It is commonly out of the question (e.g., among the carpet-weavers in Ellore) to get any co-operative credit society which can take over this indebtedness. It cannot be paid off on any system of loans and there seems to be no escape from the system for a large number who are indebted to their masters save through migration or the bankruptcy court. They work and they receive a meagre coolie wage but it is beyond the power of any co-operative organization to help them so long as they remain bound to the master.

266. It is not to be imagined, however, that this is a complete view of the matter. There are all stages of indebtedness and co-operative credit can help many of them if they put forward an honest effort themselves. Those in class (*b*) are on a somewhat higher scale economically, and the problem is here obviously less complicated by debt and inertia, but any serious degree of loyalty to a co-operative society still remains to be developed.

267. The difficulties then met in developing co-operative activities are thus due to—

(1) the difference, ignorance and character of the weavers;
(2) the difficulty in selling the products;
(3) vested interests of master-weavers ;
(4) indebtedness of the weavers ;
(5) the weavers' unbusinesslike method ; and
(6) the rarity among weavers themselves of men capable of running the simplest society.

Difficulty of marketing.

We have discussed the first item. The difficulty of marketing is great and arises from the fact that mill-made cloth governs the price of all. It is true that the masses buy hand-woven cloth very largely in the belief that hand-made cloth is the more durable, but they will not give a price which is very much higher than that of the mill-made cloth. If the cost of production can be reduced appreciably and the price of the hand-woven cloth can be brought down to the level of the mill-made cloth it is possible to increase sales. Till then the sale of finished products will continue to be difficult.

268. There are two cases to be considered—

(*a*) in which the weaver sells for local consumption, and
(*b*) in which he weaves for a distant market.

Co-operative sale.

In the first case co-operative sale would be of doubtful advantage. A small depot might be instituted in the principal shandy or market but it is quite possible that the cost of management would absorb any small advantage otherwise procurable for the weavers and inadequately paid services in such an institution are notoriously unreliable. It is of course absurd to expect that a weaver can get simply for weaving a cloth the full price paid by the consumer.

Somebody has got to pay the cost of distribution whether it is through a "middleman" or a co-operative sale society or whether the weaver himself, as he frequently does, spends part of his time weaving and part of it hawking his produce round the villages.

269. In the second case quoted a co-operative wholesale depot might be a source of considerable gain to the community and attempts are, we understand, being made to establish such an agency.

270. The next point for consideration is the matter of production and the possibility of enabling a weaver to produce his cloth at a lower rate per unit or conversely to weave more cloth per hour. This is apparently possible to some considerable extent but naturally an increased output per weaver means a greater production generally and many weavers now are working only part time. If they are to work full time and also at an increased rate of production, they would be comparatively comfortably off if they could sell what they produce at the present prevailing rates without any superfluous intermediaries.

271. The problem in fact reduces itself largely to one of marketing. It is useless to increase production for local consumption. The requirements of the population in hand-woven cloths for wearing apparel is limited and if they are to increase production and compete in other markets, a co-operative selling organization can be of great help but standardization of the production and a guarantee of quality appear to be essential and the difficulty here is largely the personal factor—the unreliability of the individual weaver—a difficulty to which reference has already been made.

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ocieties.

272. The vested interests of the master-weaver results in opposition to the formation of co-operative societies. The master-weaver thinks that his trade will go if every weaver obtains through his society a supply of cheap yarn and the sale of his finished products. The merchants who are not often of the weaver community naturally keep aloof from the organizations. To what extent the weavers are in the hands of the master-weavers will best be indicated by quoting an instance.

273. In Dharmavaram in Anantapur district there are over 600 looms actually working at present. Except about sixty or seventy people who own 100 looms at the rate of one or two each who may be called independent weavers—the rest are working under 27 master-weavers. Two men have got 100 looms each, one 70, another 35, another 30 and the others from 15 to 20 each. The indebtedness of the weaver to the master-weaver or the merchant to whom he is bound to sell his goods at an agreed price is another obstacle. In the instance just quoted it was ascertained that the weavers in Dharmavaram are indebted from Rs. 50 to Rs. 300 each to the master-weavers. In any case the average indebtedness will come to about Rs. 50,000 in all. The weavers have no property worth mentioning except a small portion of an old house

possessed by each. The history of the Conjeeveram society shows to what a small extent the weavers can be relied upon to repay their loans and advances and in fact it is not possible for any co-operative society to take over all the debts of these men.

274. The unbusinesslike method of work of the weaver renders any organization of their efforts a difficult task, and the average weaver will not hesitate to desert the society when he finds that it is to his advantage even though the advantage may be only temporary, or when he finds he cannot get the money for any expenditure which the society will not be willing to lend in the interest of the weaver himself or when he has got the chance of taking another advance from a master-weaver or a merchant. He will not do his work steadily and systematically.

275. These facts all indicate that while better financing arrangements are possible and desirable, it does not appear that this is the main cause for the unsatisfactory condition of handloom weaving. There is a great deal of debt based solely on personal credit of very doubtful quality. The finance required for working expenses could be greatly reduced if the workman lived on what he has earned instead of what he hopes to earn by what he is at the same time making. All such loans carry interest at 15 per cent to 20 per cent and the weaver is by taking advances constantly paying interest on practically the whole of his earnings. All who are working for a master-weaver or merchant are in fact living largely, almost entirely, on advances. Co-operative societies could finance the meagre real credit needs for weaving, but the creditor has a powerful hold over them and many could reach the society only through the Bankruptcy Court.

Indebtedness

276. It is hardly possible to do more than hazard a guess at the extent of the debt on the whole; much more difficult is it to ascertain the extent to which it has grown through the addition of interest. Certainly it has grown for a very considerable period when generations of weavers have worked for generations of master-weavers. The result is constant poverty and a bare living wage, for there is, in cases that have come to our notice, not the remotest chance of the debt ever being paid off. No increased banking facilities will make any difference. When it comes to marketing it is at present a matter of organizing, educating and regulating. Co-operative marketing would in many cases be advantageous and a co-operative sale society would have little difficulty in obtaining advances against stock in hand from a co-operative bank sufficient to advance to the weavers 60 per cent of the value of the goods, the remainder to be paid on realization. The godown societies (loan and sale societies) for agricultural produce could in certain cases undertake the sale of the wares of artisans on terms similar to those which hold for agricultural produce, but it would be better when the quantity of business renders it practicable to deal with such industrial products separately by a society which cannot only give advances and stock the products for sale but also in the case of certain classes of goods place a mark on it as guarantee of

a certain quality. Once the products of cottage industries pass into the hands of merchants they do not differ from other articles of commerce in the manner in which they are handled or the trade in them is financed. What applies to weaving applies to a greater or less extent to other cottage industries also. We shall, however, consider another in some detail and will take the manufacture of brass vessels in Kumbakonam.

Brassware industry.

277. There are about 1,500 workers of various castes, Kammalars, Padayachis, Kallars and Mallaga Chettis doing brass work in Kumbakonam town. There are about 100 smithies with three workmen in each on an average, 75 with six workmen and 50 with fifteen workmen. In the first class of smithies mentioned above only the members of the smith's family work and no outside labour is employed. The second and third classes of smithies are run by master-workmen who employ other workers under them. The owners of the smithies take brass sheets from the traders, receive wages in advance either in lump or in instalments at stipulated rates, manufacture the articles required by the traders according to their specification and deliver the articles to them within a month failing which they pay interest at 12 per cent beyond that period. The master-workman gives advances to the workmen under him out of the advance received from the traders and pays them wages at a rate lower than that paid to him by the traders. He has to incur expediture on account of charcoal, etc., and also to bear the wastage of the brass. He takes the brass clippings to the trader who pays for them at a rate lower than that for the brass sheet and has to account to the trader for the full weight of brass given to him. Generally the wages given to him will be about half the price of the brass sheet. He will take about one-tenth of the wages on account of remuneration for management, deduct cost of materials, wastage and all other expenses incurred in connexion with the making of the article and distribute the balance among the workers. Generally half the wages obtained from the trader will be distributed as wages to the workmen. The workmen were on strike a short time ago for one and a half months and recently came to settlement by which the scale of wages which obtained five years ago has been restored. The scale is now one and a half times the scale that was in force prior to the strike.

278. There are 35 traders in the town, 10 big and 25 small, dealing in brassware. The master-workmen take brass sheets from one or more of these traders and the number of sheets they take will depend upon their credit with the traders and the number of workmen they employ. When traders do not place orders with the master-workmen the latter sometimes buy brass sheets on their own account and make articles in their workshop in order to give employment to their workmen throughout the year. Some master-workmen who have no capital borrow brass sheets on credit from the traders paying 12 per cent interest. Others who have some capital buy brass sheets for cash and make articles. Both sets of workmen sell the finished articles to the dealers in the town for

ready cash as they cannot afford to sell on credit to retail dealers outside the town. The traders usually pay for these articles only the price which they would have paid had the articles been made to order. This means that the traders appropriate the profit for themselves whether they give brass sheet to the workmen or the latter buy them on their own account. Those workmen who buy brass sheets on credit are at a disadvantage as compared with those who make articles to order as the former have to pay out of their wages the interest due on the price of the brass sheets bought for credit. Workmen have generally money dealings only with traders in brass who give them not only their wages in advance but also lend additional sums if required on payment of 12 per cent interest. It is only those who own a capital of about Rs. 1,000 that buy brass sheets on their own account and the number of such persons will not exceed fifty. There are four persons of the Kammala caste who do independent business in brassware without getting brass sheets from the traders. They buy brass sheets on their own account and sell finished goods to dealers either locally or outside. As they have sufficient capital (aggregating Rs. 38,000) they are in a position to sell on credit to retail dealers outside the town. For want of capital the workers are obliged to sell their goods for ready cash to local dealers or content themselves with taking brass sheets and wages from them.

279. The average daily wages for a workman will work out to Re. 1. The workmen now get only wages, the whole of the profits being appropriated by the trader. A chembu weighing three seers is priced at Rs. 1-8-0. The cost of brass is 15 annas, the amount paid by the trader to the workman 7½ annas and the profit to the trader 1½ annas. The amount paid to the workman will include the wastage borne by him and the amount spent by him for charcoal and other materials necessary for making the article. The two latter items will together amount to 3 annas. If the workman buys the brass sheet on his own account, makes the article and sells it in the open market, he will get a profit of 5 annas per measure of 10 seers which is now appropriated by the trader.

280. The brass industry in Kumbakonam is entirely controlled by the local traders. Their owned capital is about 10 lakhs with a borrowed capital of an equal amount. The value of the total annual sales is estimated at Rs. 40 lakhs. About Rs. 20 lakhs worth of brass sheets are imported by traders. They get the brass sheets on credit from the importers at Madras who charge an interest of 12 per cent from the date of despatch. The bigger traders who have sufficient capital of their own have therefore no need to borrow. Such of the smaller traders as have not got sufficient capital borrowed from the Kumbakonam and the Union banks at 9 per cent and occasionally from indigenous bankers at 12 per cent. Landholders and others who have surplus cash to invest deposit their money with some of these traders who pay 9 per cent interest. Brass sheets are given to workmen and wages paid to them in advance. The finished articles are sold mostly on credit to dealers in various parts of the Madras Presidency and Ceylon at 12 per cent

interest from the date of despatch. Articles are sent for ready cash or against D/P drafts to Telugu districts. A small percentage of the articles is also sold for cash to local consumers. Finished articles are also got from Tiruppur, Tinnevelly, Kalahasti, Palghat, Bombay, Bangalore and other places. Articles made at Tinnevelly and Tiruppur are sold at a lower price as the cost of labour in those places is less than that at Kumbakonam. Practically the industry is entirely run by capitalist traders as the workers get only their wages and as they neither buy the brass sheets nor sell the finished goods.

281. There is a Viswakarma Co-operative Credit Society in the town with 37 members and a paid-up capital of Rs. 744. Almost all the members are silver and goldsmiths and only four are brass-smiths. The society has done little work after 1927. As the management of the society is in the hands of silver and goldsmiths, the brass-smiths do not at all derive any benefit from the society. There is also Viswakarma Vyapara Company, Limited, registered under the Indian Companies Act with a paid-up capital of Rs. 12,115. This company was giving brass sheets to brass-smiths and getting finished articles from them on payment of wages just like the other traders. Owing to dissensions among the directors of the company it is not working now.

Development of cottage industries.

282. We are next to discuss the practicability of developing cultivation or of helping cultivators to get a better return by establishment of cottage industries, and in the first place must observe that the assistance given to the development of cottage industries will tend definitely to detract from the efficiency of cultivation, for it then becomes a part-time occupation. Weavers are in many places taking to cultivation as a subsidiary occupation because weaving does not pay, but if cultivation is taken up fully, there is work to be done for a great deal of the time. In certain cases there is ample work for the farmer all the year round and the farmer is not always idle only for the reason that there is no work for him to do. It would appear that in many cases he is idle because he will not do it. Attention to his cattle all the year round, ploughing, fetching and spreading manure, more ploughing, sowing, weeding, reaping, thrashing, growing green manure or fodder crops, a working ryot has not a great deal of spare time, though naturally this varies greatly from one locality to another. It is useless to tell a ryot who does his farming by the aid of pannaials, farm-servants or sub-tenants to take to cottage industries. He will not do it and to urge the smaller ryot who works on his own land to take up other occupation also is in many cases to invite him to neglect agriculture and when all this has been said there undoubtedly remains a period particularly in the dry areas and other single crop lands where attention is given mainly to marriages and litigation. They have much time on their hands, but the difficulty is to find a profitable industry which can be carried on in the villages with little capital and taken up or dropped according to the season. Weaving is of course the hardy perennial prescription of many philanthropists but when the large weaving community

is itself looking for subsidiary occupation and is unable to sell what it could produce it appears idle to suggest that production should be again augmented by turning the ryot or to add to the efforts of the weaver.

283. When the purely utilitarian lines of weaving, basket-making and the like are already fully provided for the answer would appear to be in rather more artistic lines as evidenced by the small embroidery and similar industries run by various missionaries—lacquer work, carved ivory, fine metal work, damascene work of the armourer turned to modern uses—such industries would probably find a larger market if a steady supply of uniform quality could be assured. It is a fact that the Victoria Memorial Industrial Institute in Madras declined to place an exhibit in the Wembly Exhibition on the ground that it was useless to advertise goods and canvass for orders when the supply was so uncertain that it was impossible to undertake an order to supply any quantity of any particular quality or pattern. There is in fact considerable scope but it is a question of training and education. It is not a banking matter.

CHAPTER X.

Remittance Facilities.

Negotiable instruments.

284. The negotiable instruments used for making remittances through banks in this Presidency are bills of exchange, hundis and cheques. Bills of exchange are used in making remittances for goods transmitted and though they may be clean bills they are nevertheless presumed to be based on a *bona fide* trade transaction involving an unquestionable debt due from *B* to *A* to justify *A* in drawing a bill on *B* and discounting it in a local bank after acceptance by *B*. They are used by the big firms and discounted through the joint stock or exchange banks.

Hundis

285. The Indian firms employ hundis and they are of various forms. We have had before us a large number of examples of hundis (Appendix) and these vary very considerably in their form. They may be worded as bills of exchange or promissory notes or cheques. They are freely used in making remittances for trade purposes, for example, a merchant buying in cotton in Bellary and sending it for sale to another merchant in Bombay goes to the Multani banker in Bellary and signs a hundi obtaining payment. The hundi is sent by the banker to his correspondent or agent in Bombay who collects the amount from the merchants there. It may be payable on demand or at sight as in a darsana hundi or at a fixed period after sight or date (muddati hundis).

286. Again these hundis as in the case of bills of exchange carry interest or not but there is in the case of the Nattukkottai Chettiyars another hundi which bears interest at the nadappu rate, i.e., the current rate of interest (between 6 and 12 per cent) fixed by a meeting of the Nagarathars on the 16th of each Tamil month in Madras and in Rangoon (separately).

287. The hundis so used are in many cases covered by a genuine trade transaction but the precise transaction is not usually quoted nor do the documents accompany it. They are used largely also purely for accommodation and remittance purposes. The nadappu vaddi hundi, for example, is ordinarily an accommodation hundi. That is to say, a person wishing to remit money may go to a local banker and buy a hundi and send it to his creditor who will obtain encashment from a local banker but this of course he can only do if the maker of the original hundi is sufficiently well known for his hundi to command credit at a distant place. Consequently if a remittance is to be made over a considerable distance, only very well-known banker's hundis can be used and it is again of little avail for such purposes to employ a hundi the terms of which are not clearly understood at the end of the transaction. Trade hundis are discounted by banks to whom the drawee is known and are frequently rediscounted by other banks, e.g., the Imperial Bank of India. An obvious difficulty comes in discounting the nadappu vaddi hundis which bear interest at a rate which varies from time to time and is not always readily available to a discounter at any particular time, particularly if that discounter is not a Nattukkottai Chettiyar but they are chiefly handled by persons conversant with nadappu rate. We were informed that the banker who discounts a hundi of this kind merely takes care to be on the safe side so that if through ignorance of the precise value on the date of discounting or the due date, any one is to suffer, it will not be the discounter. This is not to the advantage of merchants using such instruments. Fixed interest hundis are common only throughout South India.

Standardization of hundis

288. From the very diverse forms in use (vide Appendix) it is evident that there is a clear case for the standardization of such forms and for the facilitation of trade over longer distances it would appear desirable that they should be printed in diglot for inter-provincial use.

289. The precise forms to be used for all hundis should be considered and fixed by a committee representing the principal banking communities including Multanis, Marwaris, Gujarathis and Nattukkottai Chettiyars.

290. In this connexion we invite attention to the recommendation of the last Royal Commission on Indian Currency and Finance to the effect that, with a view to promote the growth of commercial bills to furnish part of the security on which a note issued by the Reserve Bank of India should be floated, post offices should stock for sale bill forms printed in English and the vernacular in parallel.

291. Although hundis are very widely used they depend for their value on the personal knowledge of the parties concerned. They are discounted and negotiated on this understanding. Although the Nattukkottai Chettiyar banking houses in Madras deal in what are described as current deposits they are not operated upon

by cheques to any great extent, but hundis are often drawn on such accounts. These bankers do not now, however, have large sums in deposit or current accounts with them. These bankers do not keep fluid resources of their own in cash and any attempt to encourage the use of cheques in these conditions is not likely to have any very useful results. In fact among the indigenous bankers the only instrument used for remittance based on credit among themselves is the hundi. Cheques are not drawn on such bankers and consequently are not used in transactions between them and their clients. They may themselves have current accounts with joint stock banks and use those cheques or bank drafts, but that is going outside the realm of indigenous banking.

292. We have no means of ascertaining the extent to which hundis have been drawn annually in this Presidency, except the following figures for the issue of hundi stamps:— Cheques.

	RS.
1926–27	18,733
1927–28	37,955
1928–29	31,225

While for cheques the following figures show what cheques have passed through the Madras Clearing House:—

Total amount of cheques cleared from the clearing house in Madras in each year from 1900 *to* 1929.

Year.	(In crores). RS.
1900	12
1901	13
1902	13
1903	14
1904	15
1905	16
1906	16
1907	16
1908	18
1909	19
1910	21
1911	21
1912	22
1913	24
1914	22
1915	19
1916	25
1917	23
1918	25
1919	30
1920	*75

* The increase in the amount of cheques cleared during the year 1920 was due to the sale of Reverse Councils from January to September.

Year.	(In crores).
	RS.
1921	39
1922	43
1923	47
1924	55
1925	57
1926	57
1927	56
1928	65
1929	*59

These and the bank drafts are the two main instruments used for remittances by the larger firms and individuals who keep their funds in a joint stock bank but for remittances to the mufassal cash is very freely sent in half notes by insured post. The technicalities of cheques cause a certain amount of irritation among those unaccustomed to their use by the rigidity with which the formal observance of technicalities is insisted upon. The transliteration of vernacular names is a constant source of trouble. A cheque is payable to Ramaswami Aiyar and Ramaswami Iyyer endorses it. It is idle to talk of standardization of spelling in the English language and the difficulty and the annoyance of having cheques referred back can only be got over by experience, for every one who has had dealings with such banks knows that the endorsement must exactly follow the pay order and to relax the rule is to make matters no better, for they will then be involved in arguments on the proper use of a banker's discretion if he has any, while there will not be the same inducement for the ignorant to learn.

293. Cheques are especially in the mufassal towns used more as a means of drawing cash from a current account than for making payments direct in the bazaar. This is particularly the case where the smaller merchants and professional men keep funds in the local urban co-operative banks and in other small local banks. With the gradual spread of banking facilities these self-imposed limitations will disappear and it does not appear necessary to take any specific steps for the purpose at once, but an increase of the facilities for the use of cheques will doubtless induce people to make full use of them.

Railway receipts.

294. We wish next to discuss the position of railway receipts. They are at present being used as a means of obtaining payment. It is common to send such receipts to a bank for delivery to the consignee on payment (in the same way that bills of lading are sent D/P) and they are sent by V.P.P. post but the view is not universally accepted that they are documents of title. The railway has the right to deliver the goods on an indemnity bond and in the event of a claim being preferred to goods consigned to self without production of the receipt, it is usual to obtain an indemnity bond from the consignor endorsed to the person claiming delivery.

* The drop in 1929 is attributed to the fall in price of commodities.

Endorsements on railway receipts are recognized and acted upon though the railway clerk who delivers the goods has no means of verifying the genuineness of endorsements in many cases. The consignor has at present the right to stop goods in transit, but this fact does not necessarily detract from the negotiability of the receipt for the drawer of cheque may stop payment long after the cheque has left his hands.

295. It seems necessary and there is a definite request that provisions be made so that railway receipts may be used more freely and safely to support credit. Goods are transmitted great distances by rail in India and the finance of inland trade will be greatly facilitated if goods can be sent and the documents forwarded on D/P terms. The present position is uncertain and a definite provision of a document of title to goods in transit will be of advantage not merely to the big wholesale exporter but equally so to the numerous small merchants who consign goods to distant customers of whose worth they have little knowledge. It does not help him much to know that the railway got an indemnity bond before delivering the goods without the railway receipt. The cash payment system or its long distance form " documents on payment " is used to avoid litigation.

296. The railways, however, view with misgiving any proposal to alter the present position. It is doubtful whether the fear is well-founded that recognition of railway receipts as documents of title to the goods and as negotiable instruments would result in the railway goods-sheds being overwhelmed with consignments awaiting delivery, for the demurrage charges provide a healthy check to any such tendency. There is a vast number of consignments and in the big termini the receipts handed in a day run to thousands but only a small number of these are sent on receipts which would be used as security for credit; and of that small number in only a few cases would there be any argument. Any alteration of railway receipts should not therefore affect the bulk of goods traffic. The system is well understood and any material change would have an upsetting effect on the public and on the railway staff until they become familiar with the new rules. It will never be, as it is in a bank, usual to refer all negotiable instruments to a responsible officer before passing all endorsements and delivering the goods. The matter must be dealt with in the goods-shed and in the wayside station and it would be necessary to exonerate the railway from the effects of the *bona fide* delivery on a forged endorsement on the railway receipt. It would, we think, be practicable to use a special receipt distinguished in colour or otherwise from those commonly used conveying a title to the goods, transferable, involving an obligation to deliver only to the holder subject to a power by the consignor to stop the goods. It would probably be impracticable to apply the system to goods such as fruit which rapidly deteriorates. To prevent the indiscriminate use of such a special bill it would be sufficient to make a fixed

extra charge. To avoid the difficulty of responsibility for endorsements which railway subordinates are often unable to verify, the consignment should be to bearer.

Stamp duty on bills.

297. We have referred to the stamp duty on cheques which was abolished a few years ago without affecting the duty on usance bills of exchange. There is a strong body of opinion which regards the stamp duty on bills as involving too heavy a tax on such commercial transactions; but it has been pointed out at the same time by responsible bankers that " stamp, however, small, gives to a document a better title in the eyes of merchants than unstamped bill ". Undoubtedly the stamp makes it a more formal document to be executed with care and treated with respect. Commercial firms do not ordinarily use bills for a larger term than one year, but we understand that they are employed by receivers in drawing on liquidated accounts where a considerable length of credit is required. Such cases are of course uncommon, and bills are commonly drawn as follows:—

Bills on account Indian port to port trade at sight and at 10—30 D/S.

Trade with Great Britain and other countries may be demand to 180 days.

Most commonly export bills are 90 D/S.

Most commonly import bills are 60 D/S.

For rice and groundnut and other crop advances to ryots and merchants, 75—100 D/S.

For advances to contractors, 75—180 D/S.

Goods supplied by wholesale to retail merchants, 30—45 days.

We are unable to find any reason why bills of exchange for different terms of usance should be taxed at different rates.

298. All the information we have indicates that the use of bills is increasing and the existing stamp duty is a handicap such that if materially reduced, a fillip would be undoubtedly given to their use so that any loss of revenue would probably soon be recouped by the increased volume of business. At present we are informed that a certain amount of duty is lost by the use of demand promissory notes instead of usance bills with an accompanying oral agreement. Such a practice is not a sound commercial practice. A demand promissory note cannot be discounted in such conditions. We therefore recommend that this duty be reduced by half and be made the same for all usance bills.

Internal remittance facilities.

299. The post office provides facilities for transferring money from one place to another, by ordinary money orders, by telegraphic money orders and by insured post. The amount for which a single ordinary money order may be issued must not include a fraction of an anna. A commission is charged on the issue of such money orders at the following rates, namely:—

On a sum not exceeding Rs. 10—2 annas.

On a sum exceeding Rs. 10 but not exceeding Rs. 25— 4 annas.

On a sum exceeding Rs. 25—4 annas for each complete sum of Rs. 25 and 4 annas for the remainder provided that if the remainder does not exceed Rs. 10 the charge for it shall be only 2 annas.

Every post office which is a money order office may issue and pay telegraphic money orders unless it has been specially excepted. The amount for which a single telegraphic money order may be issued must not exceed Rs. 600 and must not include fractions of a rupee. Telegraphic money orders pay the same commission as on inland money orders and in addition telegraph charge calculated at the rate for inland telegrams for the actual number of words used in the telegram advising the remittance according as the telegram is to be sent as an 'Express' or as an 'Ordinary' message.

300. Money either in the shape of coin or in the shape of currency notes may be sent through the post office duly insured according to the rules governing insurance. Insured articles up to the value of Rs. 600 at the branch post office and up to the value of Rs. 3,000 at other authorized post offices could be transmitted by this method. In addition to the postage and the fee for registration the following further fees are charged for insurance:— Insured posts.

When the value insured does not exceed Rs. 100—2 annas.
For every additional Rs. 100 or fraction thereof—2 annas.

Sixty-four lakhs of ordinary inland money orders aggregating Rs. 11·70 crores and 1·14 lakhs of inland telegraphic money orders aggregating Rs. 83·30 lakhs were issued in the Madras Circle during the year 1928-29. There were on the whole 65·14 lakhs of money orders of an aggregate value of Rs. 12·53 crores. Rupees ·87 lakh was realized as commission on telegraphic money orders only while the total commission realized was Rs. 16·71 lakhs. The fact that the Madras Circle comprises Coorg and the Indian States of Mysore, Travancore, Cochin, Pudukkottai and about one-half of the Hyderabad State detracts to a certain extent from the value of the above figures for purposes of our Report. Money orders.

301. The insured post is largely used by large firms for remitting considerable sums to places where there are no banks. It is much used also in sending cash to the tea and other estates on the hills and by firms to their agents for the purchase of agricultural produce such as cotton and groundnuts. No figures are available to show what sums were transmitted in this manner.

302. The district treasuries provide facilities for the transfer of money to and from places where there is no branch of the Imperial Bank of India by issuing telegraphic transfers and supply bills in accordance with the following rules:— Telegraphic transfers and supply bills.

(a) A treasury officer at a place where there is a branch of the Imperial Bank of India may issue a currency transfer or a supply bill on another treasury where there is no branch of the bank after obtaining the sanction of the Deputy Controller of the Currency.

(*b*) A treasury officer at a treasury where there is no branch of the Imperial Bank of India may issue a currency transfer or a supply bill on Calcutta, Bombay, Madras, Rangoon, Cawnpore, Lahore or Karachi without obtaining the sanction of any higher authority.

(*c*) A treasury officer at a place where there is no branch of the Imperial Bank of India may issue a currency transfer or a supply bill on another treasury after obtaining the sanction of the Deputy Controller of the Currency.

The sanction of the Deputy Controller of the Currency may be special or general, i.e., it may cover the issue of a number of currency transfers or issue bills to the same person up to a certain limit of amount over a certain period. Currency telegraphic transfers are also issued by the Currency Office at Calcutta, Bombay, Madras, Rangoon, Cawnpore, Lahore and Karachi on currency chests in places where there are no branches of the Imperial Bank of India.

Currency transfers.

Currency transfers are always telegraphic and are given only in even thousands of rupees, the minimum limit of amount being Rs. 5,000. Supply bills are given only in even hundreds of rupees and the minimum limit is Rs. 1,000 unless in any special case the Deputy Controller of the Currency fixes a smaller minimum. The following charges are made for the currency transfers and supply bills:—

For amounts of Rs. 10,000 and over—1 anna per cent.
For amounts of less than Rs. 10,000—2 annas per cent.

In the case of currency telegraphic transfers telegram charges are also levied from the person taking the transfer, Rs. 3 or Rs. 2, according as the person desires, the transfer to be intimated by express or ordinary telegram. In all cases of currency transfers and supply bills the persons taking them must pay in the amount of the transfer or supply bill together with the charges stated above before the transfers or the bills are issued. Currency telegraphic transfers and supply bills are sometimes issued at and on a sub-treasury under special instructions from the Deputy Controller of the Currency.

Bank drafts.

303. The Imperial Bank of India gives every facility to the public for the transfer of money between places where it has branches at rates not exceeding those laid down by the Controller of the Currency. Under its agreement with the Government of India the bank is bound to provide these facilities. The following rates at which the bank issues drafts apply to these also:—

Rupees 10,000 and over—1/16 per cent.

Rupees 1,000 to Rs. 10,000—$\frac{1}{8}$ per cent.

Under Rs. 1,000—$\frac{1}{4}$ per cent with a minimum charge of 4 annas.

The rates are of course the maximum rates and it is within the discretion of the bank to charge any rate below the maxima.

304. The remittance transfer receipt provides another method for transmitting money. It is issued to an officer in the Civil, Military, Public Works and Railway Departments at par for a remittance to be made by him in his official capacity in payment of any service rendered to Government or in pursuance of his official duties. The cases in which remittance transfer receipts can be issued at par under these rules are specified in the Military and Financial Accounts Code.

305. Remittance transfer receipts may be issued to the civil officers for private purposes at a premium in the following cases:— Remittance transfer receipts.

(a) To persons having to pay land revenue and cesses in another district when the amount to be remitted exceeds Rs. 600, on payment of a premium at the rates prescribed in the Code.

(b) Remittance transfer receipts may be issued to the public at par at treasuries other than those in charge of a branch of the Imperial Bank of India for remittance for purchase of Government securities. The minimum amount of a remittance transfer receipt in such cases is Rs. 5,000. The issue of remittance transfer receipts between places at each of which there is a local head office or a branch of the Imperial Bank of India has been discontinued from 1st August 1921. From the same date, in all cases in which a remittance transfer receipt at par may be issued under the rules the Imperial Bank of India issues demand drafts at par without stamp duty marked 'on Government account'. Where, however, remittance transfer receipts may be issued at a premium the bank issues its own stamped drafts at the rates mentioned below:—

Rupees 10,000 and over—1/16 per cent.

Rupees 1,000 to 10,000—$\frac{1}{8}$ per cent.

Under Rs. 1,000—$\frac{1}{4}$ per cent with a minimum charge of 4 annas.

The bank drafts can of course be converted into a cash order on a sub-treasury if required by application to the treasury officer of the district.

306. The item of amendment with which we are here concerned is in reference to the alteration of a bearer cheque to an order cheque by endorsement. The Negotiable Instruments Act—Amendment.

307. As the Act now stands any holder of a bearer cheque may alter the character of the instrument by endorsement. This lays upon the bank the necessity of a close scrutiny of all endorsements of all cheques, thereby entailing a large waste of time and

a great labour to the bank, inasmuch as only a small percentage of bearer cheques are so altered by endorsement whereas all must be scrutinized. It also causes a corresponding waste of time and great annoyance to customers presenting bearer cheques for payment, as they have to wait while every endorsement on their bearer cheques is scrutinized, and as these may often be in several different vernaculars, this waste of time is not inconsiderable.

308. It is very desirable therefore that a bearer instrument should not be liable to have its character altered by endorsement.

309. On the other hand it is contended that this privilege of a holder of a bearer cheque to protect himself by changing its character to an order cheque is a valuable one, and should not be taken from him.

310. Any holder of a bearer cheque can afford himself what should be ample protection by 'crossing' the cheque. This does not make it an order cheque and does not entail any scrutiny of endorsements, but inasmuch as it necessitates the cheque being credited by the drawee through a bank, it can be traced and fraud detected, if not eliminated.

311. If this safeguard is not considered sufficient, we are of opinion that further protection is available to any holder of a bearer cheque by his power to alter the character of the instrument by altering 'bearer' to 'order' on its face.

312. Such an alteration, however, would necessitate the regularity of all endorsements thereon, and previous endorsements may not have been regular as this was not necessary for a 'bearer' cheque. This difficulty we suggest could be overcome by laying down that any alteration of the character of the instrument on its face must be supported by the name of the drawer or holding endorser who makes the alteration. Such change in the character of the cheque would therefore only apply from his endorsement.

313. Summarizing, therefore, we recommend legislation should be undertaken that no bearer cheque can be altered to an order cheque by endorsement, and we suggest that any such alteration made on the face thereof must be supported by the name in full of the drawer or endorser making such alteration.

314. Hundis should be treated exactly as cheques if they are cheques, that is to say, if they are unconditional orders signed by the maker not expressed as payable otherwise than on demand directing a specified banker to pay a specified sum of money only to or to the order of a certain person or to bearer. It does not seem practicable to bring hundis in other forms under these provisions.

CHAPTER XI.

Co-operative Societies.

315. Co-operative organization has progressed along two distinct main lines, rural and urban in regard to credit development, while other subsidiary branches have been put out to deal with specific problems. General.

316. The rural co-operative credit society was first developed on unlimited liability, each society being confined to one village, having its own share capital and electing its own panchayat and office bearers. Their reserve funds to which are added half of the net profits annually, are deposited with the central bank and can be utilized only with the Registrar's sanction. They are at liberty to lend their own funds, that is to say, capital and any deposits they can procure, to their members for purposes which the members specify in their loan applications and the panchayat approves of and can obtain loans from the central bank for the same purposes. Their credit is fixed in their by-laws on the basis of the total net value of all property owned by the members, that is to say, the value of their properties less their debts. This borrowing power never exceeds one-eighth of that total and in the first place is usually fixed somewhat arbitrarily at a lower figure. As the society grows, the borrowing power is enhanced proportionately. The borrowing power of the members is fixed arbitrarily and the present tendency is to allow it only for short-term needs in the first place and to develop it after they have made some progress with short-term lending. Rural credit.

317. All repayments to the society are expected to be remitted at once to the central bank and loaning of collections is discouraged as likely to result in inability to repay to the central bank when the time comes. And it moreover keeps a very necessary check on the lending by the societies, for a common failing is that panchayatdars are too prone to favour their friends and relations.

318. These societies have by 30th June 1929 developed to the following extent:—

Number of rural (agricultural) credit societies	12,382
Members	656,000
	RS.
Share capital	74,57,000
Members' deposits	9,39,000
Loans from co-operative banks	4,61,91,000
Deposits of non-members	21,81,000
Government loans	10,32,000
Total working capital	5,78,00,000
Reserve funds	46,18,000

Loans issued. 319. The following loans were issued during the year ending 30th June 1929 by all agricultural societies:—

	RS.	Percentage of whole.
Productive—		
For cultivation expenses ...	51,82,000	20·6
,, purchase of cattle ...	15,50,000	6·2
,, payment of kist ...	16,87,000	6·7
,, improvement of lands ...	12,28,000	4·9
,, purchase of raw material ...	1,22,000	0·5
,, trade	22,47,000	8·9
,, education	69,000	0·2
,, house building	10,41,000	4·1
,, carts	74,000	0·3
,, purchase of land	12,01,000	4·8
,, food, etc. (domestic expenses)	20,69,000	8·3
,, repayment of old debts ...	82,02,000	32·7
Unproductive—		
For marriages	3,28,000	1·3
,, other ceremonies	44,000	0·2
,, other non-productive purposes	75,000	0·3
Total ...	2,51,19,000	100·0

320. Of the loans granted the size may be gauged from the following table:—

	RS.
Loans up to Rs. 50 each	32,55,000
,, from Rs. 51 to Rs. 100	40,22,000
,, from Rs. 101 to Rs. 250 ...	57,87,000
,, above Rs. 250	1,20,55,000
Total ...	2,51,19,000

These loans, however, include loans by all agricultural societies and out of Rs. 2,51,18,000 the amounts advanced by different classes of societies were as follows:—

Class.	Short-term.	Long-term.	Total.
	RS.	RS.	RS.
Agricultural credit—			
Limited	1,34,000	4,59,000	5,93,000
Unlimited	1,32,08,000	1,09,22,000	2,41,30,000
Purchase and sale	3,31,000	9,000	3,40,000
Other forms	18,300	32,000	50,000
	1,36,91,000	1,14,22,000	2,51,13,000

The loans outstanding were—

——	Short-term.	Long-term.	Total.
	RS.	RS.	RS.
On 30th June 1929	1,56,37,000	3,96,59,000	5,52,96,000
On 30th June 1928	1,32,36,000	3,81,13,000	5,13,49,000

showing that the increase has been mainly in short-term loans.

321. The following table shows the increase in the last five years in the loans granted by all agricultural societies:—

Year.	Members.	Working Capital.	Loans to redeem debts.	
			Number.	Amount.
(1)	(2)	(3)	(4)	(5)
		RS.		RS.
1924-25	509,500	3,65,73	31,200	46,60
1925-26	548,400	4,07,46	30,600	49,09
1926-27	612,200	5,00,00	46,100	89,34
1927-28	662,600	5,85,76	47,600	1,00,04
1928-29	690,700	6,29,19	37,500	82,02

Year.	Other productive purposes		Non-productive purposes.	
	Number.	Amount.	Number.	Amount.
	(6)	(7)	(8)	(9)
		RS.		RS.
1924-25	136,800	1,09,11	3,300	2,62
1925-26	131,800	1,11,89	4,000	3,60
1926-27	148,600	1,43,98	3,400	3,25
1927-28	148,400	1,51,50	4,200	4,43
1928-29	156,100	1,64,69	4,400	4,47

(All amounts are in thousands of rupees.)

One obvious feature of this development is that the amount has increased at a much faster rate than the number of such loans and it is at least doubtful whether the increasingly large loans given can be regarded as a satisfactory feature.

Agricultural societies gave loans on various securities, the amounts being as follows:—

	1928–29. RS.	1927–28. RS.
Loans on security of deposits ...	56,000	51,000
Do. pledge of movables ...	12,44,000	11,46,000
Do. mortgage of immovables.	2,54,78,000	2,63,72,000
Do. joint security of two or more members ...	2,82,71,000	2,35,20,000
Do. simple bond	2,72,000	2,52,000
	5,53,22,000	5,13,49,000

It will be observed that the long-term loans given during the year are for purchase of cattle, improvement of land, house building, purchase of carts, purchase of land, repayment of old debts and marriages amounting in all to Rs. 1,35,50,000 while the cultivation expenses, kists, purchase of raw material, trade, education, food and other purposes must be taken to be short-term loans amounting to Rs. 1,14,95,000. In comparing these figures with the figures of loans actually given for long and short-terms, i.e., in lakhs—

	Short-term.	Long-term.
Loans given classed according to purpose	115	136
Loans actually granted	137	114

it must be borne in mind that of the loans taken for what is ordinarily accepted to be a long-term purpose some at least would be so inconsiderable as to be readily repayable within the year and a short-term loan could suffice. Further, as the necessity for increasing the short-term business has been agitated considerably in the last few years, a certain number of short-term loans were granted to amounts and for purposes which precluded the possibility of repaying in the period. This was the case again in South Kanara where an annual tenure of lands made it unsafe to lend for a longer period but the purpose was in many cases such that it could not possibly be repaid in the time.

Loans for marketing.

322. Taking all the circumstances, however, it appears that on the whole the position in this respect is not unsatisfactory. These total loans show that increasing amounts are given to facilitate marketing. There are two main items of loans for this object; firstly, loans for the payment of kists which fall due at the harvest time, and would involve the hasty sale of produce at unprofitable rates were loans not procurable, and, secondly, loans on the produce

by loan and sale societies or by credit societies for the specific purpose of enabling the crop to be held up for an improvement in the market. The loan given during the year by loan and sale societies on the pledge of produce was Rs. 5,95,000 by the 66 societies including the two societies at Coimbatore (Tiruppur) and Tinnevelly (Koilpatti).

323. In Tanjore district, the delta wet cultivation is roughly 1,000,000 acres. To finance this there are 1,000 unlimited liability agricultural credit societies with a working capital of about Rs. 35,00,000. This is in the neighbourhood of one-tenth of the cost of cultivating one crop of paddy on this land, but as these funds are used also to convert old debts into co-operative debts half of the loans outstanding being for this purpose it is evident that twenty times the amount is required if the whole wet crop is to be financed by these societies, allowing half the amount of loans for long-term purposes. The amount at present advanced for marketing the agricultural produce, that is, for advancing money against crop until it is sold and delivered, is only a very small fraction of what is actually required though that requisite may be only for a very few months.

Distribution of funds.

324. The funds obtained are distributed in the following manner. The Apex Bank borrows in the open market and lends to central banks which also receive deposits from individuals and institutions. The Central Banks receive their remittances from the Madras Central Urban Bank through the treasuries by remittance transfer receipts or cash orders at par. The rural societies have then to obtain the loans sanctioned by the central bank and there is considerable delay at this stage. It is due in part to slackness in the unions and societies in making and passing on the loan applications but at the same time is in fact unavoidable. Once the loan has been sanctioned it is often necessary to send men to the bank to get the cash. The bank cannot grant loans without examining the applications and the recommendation of the union and the record of the particular society and the union must either have a meeting or circulate papers to make the recommendation. The papers must be sent by post or by messenger and the society must take some little time to meet and prepare the application and bonds and have the latter registered. So long as all this process is essential and it is essential for every loan that is applied for and sanctioned by the central bank it is useless to expect co-operative societies to meet all the cash requirements for financing agriculture. The deposits available have been rapidly increasing and there is no reason to suppose that they cannot be expanded very much further —trust funds, for example, have not yet been touched—but it is necessary to provide higher-speed machinery for sanctioning loans and for distributing cash.

Crop finance.

325. The Registrar of Co-operative Societies has for some time been attempting to develop both of these requirements. For crop finance a four months' credit would greatly assist. It is not essential to crop finance that loans should not be applied for until they

are actually required. A sufficiently accurate forecast of cultivation expenses can be made to enable a society to put in an application a couple of months before such loans are actually needed and to obtain sanction in due course. Such sanctions would apply to cash drawals between fixed dates and would in fact be in the nature of a short cash credit secured by the necessary registered bond. Such an arrangement would enable a society to draw a loan as required without any notice and indeed in the better class of society where there are educated presidents and secretaries, payment of loans to the members could be made by cheque.

326. The distribution of such loans is not, however, always free from difficulty and it is not convenient or safe or cheap to send one or two members 50 miles by road and rail to get the requirements though it is rarely necessary to go so far. In some districts agencies have been arranged but much more requires to be done. Inadequate advantage is taken of the existence of local urban banks of standing and of other societies but it is clear that when there are local banks of standing a credit arrangement is very simple whereby any loan sanctioned by a society merely takes the form of a credit in that local bank to be drawn on as occasion arises. When there is no co-operative bank available for the purpose there may be a joint stock bank of sufficient standing to be utilized for this purpose. The present arrangements by which remittances are made through treasuries or through a few local remitting societies are quite inadequate. In general there is too much cash being taken about the country.

327. These defects are largely the result of inadequate knowledge of what banking facilities are possible and of what can be done by credit and cheques. But restriction of credit and the need for careful scrutiny of all loan applications arise from irresponsibility and the desire of most of the people concerned to get as much as possible at minimum cost. It is idle to pretend that the millennium has arrived. It is still very necessary to guard against dishonesty.

Co-operative Institutes.

328. There is clearly need for much more instruction in almost all grades of the co-operative hierarchy. This can be provided in local schools at a few centres in the Presidency and in fact there are six such schools in the mufassal at the Tanjore, Coimbatore, Vellore, Anantapur, Bezwada and Rajahmundry Institutes. These provide short concentrated courses in book-keeping, banking, accountancy, auditing and co-operation. Those who have had this training are expected to impart it to the villages and the federations are all arranging to have with the aid of a Government subsidy peripatetic instructors who go round lecturing to village societies singly or in small groups. The previous system of having local course for a week or ten days failed. None would come unless they were fed all the money went in providing free food. The free food was popular enough but there was no money left to pay

trained teachers, while the amateurs who undertook the work had more enthusiasm than business experience. A working knowledge of banking methods is necessary, and such instruction when acquired must be applied in a reasonable and practical manner; casuistry requires to be discouraged. To turn to the finance of trade and of other industries than agriculture, the statistics available make it desirable to treat of rural industries first. Artisans so employed obtain loans from ordinary rural credit societies. Generally as the security they can offer is little, if any, more than their own personal reputation, a somewhat precarious basis for credit considering the hand to mouth existence of many of them—the loans so procurable are small but no statistics are available to show what they are. There is, however, in the case of weavers, who comprise the biggest of the rural industrial communities, more information. There are 86 credit societies in which more than 80 per cent of the members are weavers. Of them the following figures are available:—

	RS.
Paid-up share capital	71,000
Reserve fund	43,000
Total share capital and reserve fund ...	1,14,000
Members' deposits	18,000
Loans from societies and non-members ...	4,21,000
Total borrowings	4,39,000
Net profits by societies worked at a profit ...	2,600
Net loss by societies	9,800

329. It will be seen that compared with the number of the community this is a very small matter and the bulk of the activities are confined to a few districts, the share capital being as follows:— Weaver's Societies.

	RS.
Chingleput district	25,000
Coimbatore district	9,000
Tanjore district	8,000
Trichinopoly district	7,000
North Arcot district	6,000

the rest of the districts providing much smaller amounts each. It is evident that not much can be done by pure credit and though the co-operative purchase of raw material and some co-operation

in marketing offer more promising avenues to success, even then the figures are not very encouraging—

Number of societies	45
	RS.
Working capital	1,09,000
Raw material.	
Opening balance on hand at beginning ...	9,000
Purchased during the year	88,000
Sold during the year to members	93,000
Closing balance	5,000
Finished produce.	
Opening balance	7,000
Bought in from members	18,000
Sold to public	23,000
Closing balance	2,000

330. The reasons for this small development have been discussed elsewhere, and the further development of such activities cannot usefully be pressed solely by the more rapid organization of 'co-operative' institutions to be run on behalf of such communities by persons on a higher plane of education, whatever be their motives, for that is as likely to bring easier credit and a crop of unpaid debts, decrees and desolation, as to develop self-reliance and frugal thrift. Education must accompany any such proposal. More temperate habits must be induced in a community before its artisans can put forward any effort on their own behalf. Co-operative effort appears to have many years of hard and disappointing work before it before such industries are put on a sounder business basis from the workers' point of view.

Urban credit.

331. The town interests are rather on a different basis. Co-operative credit follows the Schultz-Delitsch type. Members of such societies are liable for the debts of the society only to the extent of their subscribed capitals and such societies finance petty traders lending money to enlarge their stock-in-trade. They also grant loans to professional men and to all classes of wage earners to meet domestic requirements and to cover unforeseen expenditure of all kinds. Theoretically they are expected to grant loans only for useful purposes to be specified clearly by the applicant and approved by the panchayat, but actually there is usually no close scrutiny of the purpose or application of the loan. In many cases the panchayatdars are too anxious to hold their posts to enquire so closely into the use and repayment of loans as to jeopardize their chance of re-election when their term of office comes to an end. These urban societies have, however, developed considerably and do provide very valuable banking facilities including current accounts, savings deposits, recurring deposits and in fact all reasonable facilities for accumulating and investing savings and for the safe custody of and convenient operation on the members' current funds.

332. The loans granted by such societies in 1928–29 were— Loans granted.

	RS.
For trade	34,03,000
,, food and necessaries of life	40,36,000
,, house building	18,27,000
,, cultivation of land	5,12,000
,, purchase of land	4,56,000
,, improvement of land	1,85,000
,, education	1,90,000
,, purchase of raw materials	1,08,000
,, manufacture and purchase of carts ...	56,000
,, payment of kists	52,000
,, paying prior debts	63,68,000
,, purchase of cattle	1,43,000
,, marriages	17,51,000
,, other ceremonies	2,70,000
,, other purposes	5,67,000
Total ...	1,99,24,000

333. The size of these loans is indicated by the following figures:—

	RS.
Loans up to Rs. 50 each	22,87,000
,, from Rs. 51 to Rs. 100	29,14,000
,, ,, Rs. 101 to Rs. 250	44,39,000
,, over Rs. 250	1,02,84,000
Total ...	1,99,24,000

334. It is to be observed that these include urban societies of all kinds including house building societies which obtain their loans from the Government.

335. The greater bulk of loans outstanding which on 30th June 1929 was Rs. 2,38,36,000 were on mortgage of immovable property and on joint security of two or more members, the figures being Rs. 92,08,000 and Rs. 1,38,35,000 respectively. To take from these societies only the credit societies we find that on 30th June 1929 the loans given to 209,700 members during the year were—

	RS.
Short-term	64,39,000
Long-term	1,25,19,000
Total ...	1,89,58,000

Loans to members outstanding at the end of the year—

	RS.
Short-term	48,32,000
Long-term	1,57,40,000
Total ...	2,05,72,000

The loans taken by the societies and outstanding at the end of the year were—

	RS.
From members (deposits, etc.)	59,44,000
From non-members (deposits, etc.)	74,24,000
Provincial or central banks—	
Short term	9,19,000
Long term	17,10,000
Government	4,000
Other societies	7,000
Total ...	1,60,08,000

	RS.
Paid-up share capital	63,79,000
Reserve fund	15,93,000
Total owned capital ...	79,72,000

336. The total borrowings are therefore twice the owned capital. No figures are available to show how much of these figures are at call but the standards of fluid resources prescribed for all limited liability societies which receive more than Rs. 20,000 in deposits is reached by the majority, 85 per cent of the whole number having conformed to the rule which is that such societies should keep the following amounts:—

Sums in current account—25 per cent.

Sums in fixed deposit falling due in the next 30 days—25 per cent.

Sums in savings deposits—25 per cent.

337. This proportion was to be in a fluid form, that is to say, as cash, Government paper, or overdraft from a central bank; the amounts so concerned refer only, however, to the deposits of non-members. Members who have a voice in the management must look after themselves.

Co-operative banks.

338. The higher co-operative banks, namely, the district central banks and the provincial bank, are devised not for providing banking facilities to the general public or for any individuals but to attract the funds required to finance the rural and urban primary societies bearing in mind that the stated policy of the Government is to facilitate the formation of co-operative societies for the benefit

of agriculturists, artizans and persons of limited means. The central banks do incidentally provide certain current account facilities but this is not done for the benefit of the depositors but to get the use of such funds for those of limited means whom they are designed to assist. Their position was as follows for district central banks on 30th June 1929:—

	RS.
Paid-up share capital	52,09,000
Reserve fund invested in the Madras Central Urban Bank	16,71,000
Total ...	68,80,000

	RS.
Savings deposits and current account	46,32,000
Fixed deposits and loans repayable by banks ...	4,95,68,000
Imperial Bank cash credit drawn	6,69,000
Reserve fund of primary societies deposited ...	38,89,000
Total ...	5,87,58,000

339. The ratio of borrowings to reserve fund plus share capital is therefore 8·8 to 1. Loans outstanding.

The loans outstanding on 30th June 1929 were as follows:—

	Short-term.	Long-term.
	RS.	RS.
Loans to individuals	4,65,000	1,75,000
Loans to societies	1,18,58,000	3,80,33,000
Total ...	1,23,23,000	3,82,08,000

	RS.
Total ...	5,05,31,000
Amount in Government paper	65,16,000
Cash in hand and at bankers	18,99,000
Accrued interest	13,63,000
Miscellaneous assets	4,79,000
Total ...	6,07,88,000

	Short-term.	Long-term.
	RS.	RS.
Loans and deposits of individuals ...	1,90,41,000	1,60,56,000
Loans and deposits from banks (including Madras Central Urban Bank)	18,59,000	69,81,000
Loans and deposits from societies ...	13,65,000	54,89,000
Total ...	2,22,65,000	2,85,26,000

	RS.
Total ...	5,07,91,000
Share capital	52,09,000
Interest due	8,63,000
Reserve fund	16,25,000
Buildings and other funds	9,78,000
Profits	13,22,000
Total ...	6,07,88,000

Defects.

340. Central banks have generally no difficulty in maintaining the required standard of fluid resource for which the rule is as follows:—

(i) Fifty per cent of fixed deposits falling due in the next 30 days.

(ii) Fifty per cent of current deposits.

(iii) Twenty-five per cent of savings deposits.

The main defects are those which naturally arise in a banking system organized on a democratic and semi-philanthropic basis. The knowledge of banking in the staff and directorate is generally inadequate. They base their practice on the totally inadequate experience which has been gained in the short time they have been working and are inclined to agree that as all has gone well, all will continue to go well. There is no doubt that much reliance is placed by depositors on the audit by the Government and on the measure of Government control which is popularly supposed to be more than it actually is but though there has been no trouble so far, the more these banks grow the more essential it is to rely on sound business practices as the basis for their credit and less on protection and outside guidance. The main direction in which their weaknesses display themselves is in a tendency to give way to the demands of would-be borrowers and to grant loans for larger periods than is safe. These defects can only be removed by experience and training of staff and appointment of capable directors. Further defects arise from the constant tendency to mix up philanthropy, business and politics. There is, no doubt, a philanthropic aim in co-operation, but this cannot be furthered by granting loans from deposits with the knowledge that they will not be fully or promptly repaid. Such actions will only frighten off the possible

depositors. The anxiety of directors to remain in the limelight and of office-bearers to keep their offices result in electioneering devices and in the sacrifice of sound principles to personal ambitions. Slackness in recovering loans is in some cases the condition on which presidents retain their offices. The remedy is in propaganda and training for these evils will only be overcome when the best of the societies and of the members realize that strictness in conducting a society's affairs and promptness in collecting repayments are essential if the credit societies are to finance the whole of agriculture and provide a better marketing channel for crops and industrial produce. Supervision can and does help to keep things straight and in that supervision both officials and non-official bodies are constantly engaged, but only in the intensive propaganda and training which these authorities and the instructional courses can impart is the permanent stability and large growth of co-operative banking to be found.

341. This co-operative banking agency is adequate for the present development of co-operative societies. It is capable of very great expansion on its present lines, but this expansion cannot with safety be hurried and any attempt to force the pace is likely to be disastrous. There are plenty of examples before us of what harm can be done by unwise methods in banking, but the lines to be most fully developed are those which will provide for greater facilities in securing funds and in providing credit facilities in lieu of the constant movement of large amounts of cash. The co-operative banking organization can itself provide much more facility for this than at present; but the existing concessions of the Government for the free remittance of funds for *bona fide* co-operative transactions between co-operative societies should be continued and the limit to the amounts which can be so remitted should be withdrawn. The justification lies in the need for developing co-operative credit, particularly for agriculture, and in the very meagre facilities for moving funds in a country where organized banking is almost non-existent outside a few large towns. This facility provides for moving funds between places where there are taluk offices. To carry the matter further some assistance is desirable through post offices at a distance from such places. Money orders are an expensive way of moving money. So is the insured post, though to a far less extent, but as a matter of fact the insured post cannot be taken advantage of everywhere. The concession that would be most valuable would be a reduced rate for remittance by money order where there is no taluk office within five miles of the post office used by the credit society. **Expansion.**

342. If trust funds could be made available to co-operative central banks, this might bring a vast amount of capital which can be brought into circulation for the benefit of rural India and permissive legislation for this purpose might be introduced with adequate safeguards for their security. **Trust funds.**

Development of agricultural credit.

343. Any credit organization in rural India comes down ultimately to the ryot, the cultivator, and it must be recognized that the essential for credit is foresight and an active realization that the immediate requirement must be met only with a due consideration of more distant possibilities and requirements so far as these can be foreseen. For example, a creditor can safely lend only to a person who recognizes an obligation to repay as in the case of a merchant borrowing to purchase goods to a limited extent in anticipation of the sale of those goods at a profit but not in the case of a man who having an income only sufficient for the current needs of those entirely dependent on him intends to borrow for an extravagant and unremunerative object.

344. It follows that a person without some strong assurance of a future income can have no credit and a person living a hand-to-mouth existence cannot be relied on to make any sacrifice of an immediate desire in favour of a greater though more remote benefit, and when as in the case of agriculture the greater and remoter benefit is also a precarious one dependent on the vagaries of seasonal conditions it is clear that the poorer of the ryots cannot be relied on to any great extent. They will sacrifice the future to the hunger of the moment. They will borrow beyond their power to repay and they will spend extravagantly what they can borrow; they will evade repayment. A fatalistic attitude induced by experience of good and bad monsoons fortifies them against the disappointment of a bad season, but it also weakens their determination to retrieve their position; if the future is left to look after itself there is no sound basis for credit.

345. Agricultural credit is, therefore, particularly in tracts dependent on local rainfall, in India on a somewhat precarious basis. It requires to be strengthened by guarantees stronger than any yet devised. The co-operative credit society is in itself not adequate because in a rural society all the members are in the same boat. Their interests are all the same and pressure to repay can only be brought by bringing into play some outside interest; a stronger power to collect is required in the hands of an independent body. More precise charges on crops in favour of creditors providing loans to assist production must not only be created on the produce but must be enforceable promptly and the prompt punishment of any one acting in a manner deleterious to the interests of those charges will go far to induce a stronger sense of responsibility and consequently to ensure a safer ground for credit.

Loan and sale societies.

346. The 63 loan and sale societies which have been started in this Presidency require more than a mere passing mention. Four are large ones and their main object is to facilitate the sale of cotton brought in by ryots and advancing money on it and to arrange for its ginning, grading and sale. Further it is intended

that in conjunction with the Agricultural Department it should obtain, distribute and recover pure strain seed produced in the first instance by the Agricultural Department.

347. The other societies are smaller ones; their object is to build or buy or hire a godown in which a ryot can store his produce and sell it at his leisure. These societies, to obtain loans, pledge the goods to the central bank. Such loans are passed on to the ryots and the ryot gets his produce or delivers it to the purchaser only on repayment of his loan to the society. He is enabled to sell it as he sees fit but these societies are at least in the early stages not in a position to employ the expert staff necessary to undertake the joint sale of the produce on behalf of the ryot and the very fact of the ryot being able to pay off the advances on the crop at once while being free to sell at the best terms available instead of being bound to sell to a specific creditor on the latter's terms is in itself a considerable advantage. He is not encouraged to hold up his crop except in the case of food grains which have usually marked seasonal fluctuation in price.

348. These societies are linked with co-operative credit societies which themselves do much short-term business on crops but they have generally no godown accommodation, for the purpose. The correct line of business appears to be for the village society to advance for cultivation loans repayable at the harvest when the produce should go into the godown and the village society be repaid by a loan on the produce, this loan being repaid in full on the sale of the grain. An individual member of a society handing over his produce as security for a loan is not limited by his individual maximum borrowing power in the amount he is permitted to borrow and when the custody of produce is handed over to the central bank the society is itself not limited to its maximum borrowing power. Urban banks are encouraged to open current accounts and to act as a transmitting agent and to charge a commission if necessary.

349. Hitherto only a few godowns have been constructed and the slow progress is to be attributed largely to the difficulty of making an expensive godown pay when it is used for storing crops only for a few months in the year. The transactions of a few loan and sale societies are indicated below:—

Name of the society.	Produce dealt with.	Number of members.		Paid up share capital.	Borrowings from central banks.	Repayments.	Advance to members.	Repaid out of advances.	Value of goods received for pledge or for sale.	Net profit or loss.
		Individuals.	Societies.							
				RS.	RS.	RS.	RS.	RS.	RS.	RS.
1. Tiruppur cotton C.S.	Cotton and cotton seeds.	374	63	18,849	1,61,241	1,76,777	3,22,447	3,35,894	2,20,318	3,433
2. Koilpatti ..	Cotton ..	631	32	6,175	32,451	19,844	1,26,845	1,41,145	2,82,622	1,121
3. Nandyal ..	Cotton and groundnut.	145	9	154	8,500	9,719	12,450	8,718	39,601	145
4. Bellary ..	Do.	151	..	3,145	..	..	9,254	3,310	99,438	630
5. Anakapalle .	Jaggery .. .	10	46	1,490	9,765	8,009	1,250	995	63,974	93
6. Vallam ..	Paddy, groundnut, etc.	52	9	1,485	23,868	17,114	23,510	15,832	33,075	293
7. Tanjore ..	Paddy and grain ..	45	8	1,825	34,442	41,402	19,793	28,421	27,815	225
8. Pillaru ..	Paddy	26	86	2,720	39,800	..	45,250	3,915	70,100	116
9. Dharmavaram.	Groundnut and rice.	21	47	1,990	9,000	3,137	12,537	7,412	21,974	117
10. Tadpatri ..	Cholam and groundnut.	47	36	610	4,000	1,711	4,825	2,530	3,975	99

We consider that every attempt should be made to foster the growth of such societies. There should be a godown society available for every group of credit societies and these should in course of time be linked up into a co-operative marketing organization.

350. Another form of co-operative society which is indirectly assisting the ryot is the agricultural demonstration society. Its object is to demonstrate the financial value of the Agricultural Department's advice by cultivating land in plots half by the local methods and materials and half by following in all respects the Agricultural Department's advice. An example of results is shown in the following table:— Agricultural demonstration societies.

Results of the first and second crops of the demonstration area of the Lalgudi Sivagnanam Co-operative Agricultural Society for 1925–26.

Field number.	Extent.	Method of cultivation.	Cost of cultivation per acre.	Difference of saving in the cost of cultivation in adopting improvements.	Yield of grain per acre.	Extra yield of grain in lb. by adopting improvements.	Value of grain at 20 lb. per rupee.	Net income per acre.	Extra profit per acre by adopting improvements.
		First crop—(Kuruvai).							
	ACS.		RS. A. P.	RS. A. P.			RS. A. P.	RS. A. P.	RS. A. P.
1-a	0·25	All improvements	63 5 4	6 4 4	2,75[illegible]	206	143 8 0	80 2 8	19 15 4
1-b	0·25	All local methods	69 9 8		2,549		129 12 0	60 3 4	
1-c	0·25	All improvements	64 7 0	3 4 0	2,723	443	138 10 0	74 3 0	25 13 0
1-d	0·25	All local methods	67 11 0		2,280		116 1 0	48 6 0	
4-a	0·20	Do.	72 8 9	..	2,605	..	132 10 1	60 1 4	..
4-c	0·20	Economic planting	68 10 9	3 14 0	2,946	341	149 13 9	81 3 0	21 1 8
4-d	0·26	Improved manuring	72 6 8	0 2 1	3,286	680	167 0 10	94 10 2	34 8 10
4-f	0·20	Deep ploughing	76 5 11	3 13 2	2,826	221	143 12 7	67 6 8	7 5 4
4-e	0·20	All improvements	72 12 2	0 3 5	3,578	973	182 3 9	109 7 7	49 6 3
		Second crop—(Thaladi).							
1-a	..	All improvements	54 8 4	10 3 4	2,360	124	118 0 0	63 7 8	4 0 2
1-b	..	All local methods	64 11 8		2,484		124 3 2	59 7 6	
1-c	..	All improvements	54 8 4	..	2,352	..	117 9 7	63 1 3	..
1-d	..	All local methods	64 15 0	10 6 8	2,352	..	117 9 7	52 10 7	10 6 8
4-a	..	Do.	64 1 6	..	2,347	..	117 5 7	53 4 1	..
4-c	..	Economic planting	62 14 9	1 2 9	2,528	181	126 6 5	63 7 8	10 3 7
4-d	..	Improved manuring	56 2 3	7 15 3	2,864	517	143 3 2	87 0 11	33 12 10
4-f	..	Deep ploughing	67 8 2	3 6 8	2,578	231	151 4 0	83 11 10	30 7 9
4-e	..	All improvements	56 6 0	7 11 6	3,025	678	128 14 5	72 8 5	19 4 4

Such improvements and the possible financial results of their introduction cannot be ignored by any one interested in the finance of and profits from agriculture. To enable the co-operative societies to recover their dues more readily, to strengthen their position in regard to debts due to them, in accordance with a recommendation of the Townsend Committee on Co-operation, it has been suggested that Transfer of Property Act be amended to provide that subsequent mortgages by borrowers from a land mortgage bank should be prohibited as long as loans to the land mortgage bank were outstanding.

351. A Bill to amend the Co-operative Societies Act is now before the Government of Madras and it provides that a loan for the purchase of seed, manure, cattle, implements, etc., should be a first charge on lands purchased or improved, on godowns or buildings purchased or built with the loan and the immovable property mortgaged in respect of loan. Similarly a loan taken to raise crops should be a first charge on those crops. These are in accordance with the recommendations of the Townsend Committee whose other recommendations are embodied in the Draft Bill in the provisions to empower the Registrar to distrain the movable property of a member in arrears and to enlarge the powers of the liquidator winding up the affairs of a society.

Land mortgage banks.

352. We have hitherto only dealt with the co-operative banks lending on share capital, reserves and deposits. This, we have observed, provides funds, well enough for agriculture, marketing and other short-term needs and long-term requirements to a limited extent up to five years. There is a constant demand for long-term mortgage loans. The mortgage debt has been referred to in Chapter IV and the need for other long-term loans in Chapter VI. The facts that the co-operative banks were, until a very few years ago, lending for ten years and that in some districts a large proportion of the funds are still out as long-term loans are indications of the demand for long-term money. Even after allowing for the fact that a ryot will naturally not agree to repay a loan in six months if he can persuade the creditor to accept repayment over ten years, there still remains an ample demand for ten or twenty year loans to enable ryots to pay off debts at higher rates of interest and to obtain funds for expensive improvements to his land.

Suggestions.

353. The only scheme so far devised is the system of land mortgage banks which has been established in this Presidency. This has been fully dealt with in Chapter VI and it is unnecessary to repeat that material here. To ensure the most rapid development of co-operative enterprises we consider that the Registrar of Co-operative Societies should be assisted by an officer conversant with the business side of agriculture to look after and develop loan and sale societies (godown societies) in all important centres, to study and foster all forms of co-operative societies for the marketing

of produce and it would be for him to see that the institutes are also in a position to give instruction on all commercial subjects which directly affect the ryot. It appears to us that an intimate knowledge of the commercial aspects of marketing is of more importance to such an officer than a technical knowledge of how to grow the best crops. It will be his department to look after the crops as it is for the Agriculture Department to see that the best and the biggest crops are grown.

All-India Bank.

354. There is at present some interchange of funds between provinces by the fact that the Madras Central Urban Bank has from time to time lent funds to other provincial banks. Doubtless the establishment of a co-operative bank for the whole British Indian Empire could facilitate the remittance of co-operative funds from one province to another but we are not satisfied that other provincial co-operative banks have reached the same standard of credit and it would not be reasonable to expect all provinces to participate on equal terms in an All-India Bank when it is not clear that all provincial banks are on the same level of financial stability. If the central banks in each province are unable to obtain the funds they require on the strength of their own credit they must improve their credit until they can but there is a vast difference in the lending rates of the different provinces and an All-India Bank would find itself in great difficulties in deciding at what rate to lend to different provincial apex banks. Doubtless the Madras Provincial Bank would find in this way an easy method of investing its surplus funds at a profitable rate of interest but it would have the effect of keeping up the rate of interest to rural societies in Madras and funds which should go to the Madras ryot would be diverted outside the Presidency in precisely the same manner in which the Nattukkottai Chettiyar funds have now gone elsewhere. We therefore consider the institution of an All-India Co-operative Bank to be premature. The difficulty of establishing such a bank when the law on co-operation varies from province to province and is in each under the control of the Legislative Council is one which could readily be got over but we do not feel called upon to go further into that matter in view of the opinion which we have expressed on the merits of the general proposition.

Co-operative banks—Relations with Imperial Bank.

355. The relations between the co-operative banks and the Imperial Bank of India in Madras have been most cordial. The Imperial Bank granted cash credits to the Madras Central Urban Bank and district central banks (including the Christian Co-operative Central Bank) on the security of rural credit societies' pro-notes certified by the Registrar as genuine. The credit so made available at a flat rate of 6½ per cent was to be utilized for short-term loans and for the fluid resource of those banks. The losses made by central banks from the rural credit societies whose pro-notes were thus pledged have been entirely negligible; with one or two rare exceptions of trivial sums no dues from unlimited liability credit societies to central banks have been written off. It

must therefore be taken that these pro-notes are good security. That they are less readily realized in a crisis than trade bills or Government paper has not been disputed but they are probably more readily realizable now than they were a few years ago for the proportion of short-term loans is steadily increasing. The Imperial Bank has, however, seen fit to require co-operative banks to replace over a period the co-operative societies' paper by Government paper. The question of uniformity of practice throughout British India can hardly arise when there is no uniformity in credit or of the development or stability of co-operative banks.

356. There is, however, another aspect of the matter. It was on the advice of Sir Bernard Hunter and with the complete concurrence of Sir Norman Murray that co-operative central banks used this overdraft as fluid resource. There was no specification of the proportion of fluid resource which should be provided in this manner but certain central banks relied almost entirely on this overdraft and on their own fund to a trivial extent in finding fluid resources. This was undesirable and unsafe. The overdraft was never guaranteed and the result of reliance on it in a crisis might have disastrous results. The Townsend Committee on Co-operation in Madras recommended in a minority report signed by the President, Mr. Stocker of the Imperial Bank of India, and Mr. Ellis, that the co-operative banks should provide from their own funds apart from overdrafts which were liable to cancellation a greater amount of their own fluid resources. In view of the Imperial Bank's attitude requiring Government paper as security for cash credits, a form of security which can be pledged anywhere without favour, we consider that the co-operative banks should no longer be required to deal solely with the Imperial Bank as they have hitherto been required to do in consideration of the facilities which they have been enjoying for some years. The position of the Imperial Bank as a bank granting credits is not to be confused with the treasuries which are being run on behalf of the Government by the branches of the Imperial Bank. Nor can they be considered in regard to the question of remitting funds through treasuries free though doubtless if such remittances were not made by the treasuries by remittance transfer receipts the Imperial Bank would get the business and make a profit out of it.

357. The relations between the co-operative banks and joint stock banks and other banking institutions are negligible.

358. There is competition between co-operative central banks and other banks in certain respects, in particular in obtaining deposits. This competition appears to us to be fair and the co-operative banks do not generally offer higher rate of interest than is necessary to obtain the funds they require. This is demonstrated by the fact that they have not got any very great excess of funds. The apex bank borrows at rates which vary from $2\frac{1}{2}$ per cent to

Relations with other banks.

$5\frac{1}{2}$ per cent while district banks are not allowed to offer a higher rate than $\frac{1}{2}$ per cent less than the 6 per cent at which the apex bank is prepared to lend to them.

359. The other direction in which there is competition is in produce loans. It has not reached an acute stage and is generally not felt; but when co-operative societies are lending money on crops to enable the ryot to get the most he can from his crop it is bound to tell on the business of another which is lending to merchants in order that they can hold up the same produce for a market. The effect on the consumer is the same. The one ensures the gain to the grower, the other to the intermediary. Neither will entirely oust the other. But the co-operative bank cannot in the end fail to affect the pawn-broking business of other institutions also. We do not consider that any steps should be taken to limit this activity of co-operative societies, on the other hand we consider that more facilities should be offered for constructing godown (rat proof in plague-affected districts) so that the profits of agriculture should go with more certainty to the cultivator.

CHAPTER XII.

Acts for protection of Agriculturists.

Alienation of land.

360. There is in this Presidency no general Act to restrict the alienation of land by agriculturists and consequently the ryot is able to get the full benefit of its value for agricultural purposes. There does not appear to be any body of opinion in favour of such a measure nor any great occasion for it. It is true that land is constantly changing hands; the value of land the sale of which has been registered for the last ten years has been quoted in Chapter II. But it has already been observed that this change is on account of money-lending and the chief money-lender is the ryot. Consequently the bulk of change is from one ryot to another. This is in fact the case. Land is, it is true, passing into the hands of the money-lender but not to an alarming extent or at any great pace, nor apparently does it usually remain with him for long.

361. Any restriction on the sale of land would of course immediately reduce its saleability and consequently its value, but there are examples where the restriction has been made without this disadvantage. It was customary for the Government of Madras to grant land to the depressed classes for their cultivation, on condition that they should not alienate on penalty of cancellation of the grant. The first result was that they could not cultivate it as they could not raise the necessary loan on it to break it and bring it under cultivation and naturally it was generally not good land.

It was therefore agreed that the ryot should have power to mortgage it to a co-operative society to raise funds for cultivation and if it was necessary for the co-operative society to proceed against the member to recover the loan the co-operative society should have power to sell the land in the open market. In this way alienation was restricted but the full value obtained for credit purposes. The principle has not been applied in other cases but we consider that the alienation of land should not be restricted to a greater extent than that allowed by this system.

362. We have observed that there is no general Act. There is, however, the 'Agency Tracts Interest and Land Transfer Act' which applies only to the agency tracts of Ganjam, Vizagapatam and Godavari districts. Its main provision in this respect is that a transfer of immovable property unless it be to another member of the hill tribe is void if it has not the assent of the Agent to the Governor, and if a transfer be made in contravention of this provision the Agent may, on the application of any one interested, order ejectment of any person in possession claiming under the transfer. These provisions are, however, almost entirely neglected and the hillmen generally allow their creditors to take possession without protest; consequently land passes out of the possession of the very unsophisticated hillmen. It is also suggested that another reason why no application is ever made to eject those who get possession of the hillmen's land is that Khonds are afraid that if they file suits against the sowcar he will refuse to give them advances in future. The co-operative society should here step in for, clearly, in such circumstances when the hillmen are primitive and uneducated folk and are being exploited by less scrupulous money-lenders and tradesmen from the plains there is an opportunity for well-managed co-operative societies to do useful work. Agency Tracts Interest and Land Transfer Act.

363. We have received a large number of reports, opinions and statements to show to what extent the Usurious Loans Act is applied, how far it is effective in contributing to the end sought, that is, the discouragement of money-lending at usurious rates of interest. Usurious Loans Act.

364. There is, we find, a considerable degree of disparity in the extent to which it is applied in the various courts and also in the manner in which it is applied, but it is entirely wrong to suggest that it is not used or that it is a dead letter. The statement below shows the rate of interest sued for in a large number of cases reported by the civil courts. The last line shows the number of cases in which the rate of interest was reduced. This reduction was not always made in accordance with the Usurious Loans Act, for a number of cases in which the rate of interest was reduced to 6 per cent from the date of filing the suit has been included in the court's statements; these have as far as possible been eliminated and also one or two reports in which apparently only suits in which the interest had been reduced were included, have been excluded. Extent and mode of application.

365. This statement then, shows the prevalent rates and the subsequent one shows in detail to what extent interest has been reduced in a number of suits taken at random:—

Rate of interest claimed.	Vizagapatam.	Chingleput.	Ramnad.	Kurnool.	Salem.	Tanjore.	Total.
1—2	..	..	..	4	..	..	4
3—4	9	19	..	37	..	..	65
4—5	8	2	..	18	..	..	28
5—6	..	..	..	1	..	..	1
6—7	122	80	101	650	47	35	1,035
7—8	22	7	36	111	7	..	183
8—9	..	..	..	11	6	..	17
9—10	176	159	281	1,076	47	25	1,764
10—11	30	32	94	76	63	5	300
11—12 ..	..	..	..	5	4	..	9
12—13	1,217	2,570	1,747	4,282	673	1,809	12,298
13—14	8	6	91	13	26	11	155
15—16	181	115	726	288	190	310	1,810
16—17	9	8	38	15	6	3	79
18—19	551	428	755	118	159	1,364	3,675
19—20	2	..	14	2	..	4	22
20—21	..	..	..	1	26	..	27
21—22	10	11	20	23	4	1	69
22—23	9	1	..	2	5	..	17
24—25	203	612	72	322	169	176	1,554
25—26	76	12	17	312	1	..	418
26—27	2	..	..	..	..	..	2
27—28	..	8	1	1	1	..	11
28—29	1	..	..	..	..	..	1
30—31 .. .	3	13	9	264	12	..	301
31—32	3	..	3	3	..	..	9
33—34	.	7	..	..	..	1	8
35—36	.	1	..	..	..	..	1
36—37	22	153	5	26	98	6	310
37—38	53	186	2	73	12	1	327
39—40	..	1	..	..	..	..	1
40—41	..	..	..	..	1	..	1
42-43	..	7	..	..	..	..	7
45—46	1	2	..	..	..	..	3
48—49	3	30	..	5	8	..	46
50—51	2	4	..	4	..	..	10
51—52	..	1	..		..	..	1
54—55	..	2	..	..	1	..	3
56—57	2	..	..	..	..	..	2
57—58	..	3	..	..	..	..	3
60—61	1	18	..	1	5	..	25
62—63	1	..	..	..	..	..	1
64—65	..	1	..	..	..	..	1
67—68	..	4	..	..	..	..	4
72—73	..	1	..	..	2	..	3
75—76	11	78	..	81	..	..	170
90—91	1	5	..	1	..	..	7
96—97	1	..	..	..	..	..	1
100	..	..	..	..	..	1	1
120	..	..	..	.	4	..	4
148	..	..	..	1	..	..	1
150	1	..	..	3	2	1	7
192	..	..	..	..	1	..	1
220	..	1	..	..	..	..	1
225	1	..	..	..	..	..	1
300	1	1	..	..	..		2
Total ..	2,743	4,589	4,012	8,130	1,580	3,753	24,807
Total number of cases in which interest was reduced ..	174	844	53	846	29	12	1,958

Number of cases in which interest was reduced by civil court to –

Interest claimed.	Number of cases	3 per cent.	6 per cent.	9 per cent.	10 per cent.	12 per cent.	13½ per cent.	15 per cent.	16 per cent.	18 per cent.	20 per cent.	22½ per cent	24 per cent.	25 per cent.	30 per cent.
PER CENT.															
7½	4	..	4	..	..	..	..	..	..	..	..	..	..	..	..
9	26	..	26	..	..	..	..	..	..	..	..	..	..	..	..
10	3	..	3	..	..	..	..	..	..	..	..	..	..	..	..
12	62	1	53	6	2	..	..	..	..	..	..	..	..	..	..
14	2	..	..	..	..	2	..	..	..	..	..	..	..	..	..
15	24	..	10	1	..	12	1	..	..	..	..	..	..	..	..
16	4	..	3	..	..	1	..	..	..	..	..	..	..	..	..
18	93	..	41	2	1	43	2	4	..	..	..	..	..	..	..
20	5	..	1	..	2	1	..	1	..	..	..	..	..	..	..
21	4	..	2	..	..	1	..	..	..	1	..	..	..	..	..
24	132	..	30	2	..	45	..	2	1	52	..	..	..	..	..
25	38	..	4	1	..	29	..	2	..	1	..	..	1	..	..
27	11	..	2	..	..	1	..	..		1	..	..	10	..	..
30	55	..	15	3	..	5	..	2	..	11	2	1	16	..	..
32	1	..	..	..	..	1	..	..	..	..	..	..	..	..	..
35	4	..	1	..	..	..	..	..	..	..	..	..	3	..	..
36	140	..	7	..	..	17	..	3	..	11	1	..	65	..	36
37½	145	..	14	..	..	11	..	..	..	15	..	..	19	1	85
39	1	..	..	..	..	..	..	..	..	..	..	..	1	..	..
40	2	..	1	..	..	..	..	..	..	..	1	..	..	..	..
45	11	..	2	..	..	..	..	..	..	..	..	..	2	..	7
48	17	..	..	..	..	2	..	..	..	..	..	..	9	..	6
51	1	..	..	..	..	..	..	..	..	..	..	..	1	..	..
54	6	..	1	..	..	..	..	..	..	..	..	..	4	..	1
60	10	..	1	..	..	3	..	..	..	1	..	..	4	..	1
64	1	..	..	..	..	..	..	..	..	1	..	..	..	..	..
67½	4	..	1	..	..	..	..	..	..	..	..	..	..	..	3
75	18	..	8	..	..	1	..	..	..	..	..	..	5	..	2
90	1	..	..	..	..	..	..	..	..	1	..	..	..	..	..
96	1	..	..	..	..	1	..	..	..	..	..	..	..	..	..
112½	1	..	1	..	..	..	..	..	..	..	..	..	..	..	..
120	1	..	..	..	..	..	..	..	..	..	..	..	1	..	..
150	3	..	1	..	..	..	..	..	..	..	..	..	1	..	..
225	1	..	1	..	..	..	..	..	..	..	..	..	..	..	..
Total ...	835	1	233	15	5	176	3	14	1	95	4	1	142	1	141

Two preliminary points are of interest. Firstly, it is thought in some courts that a judge cannot apply this Act *suo moto* but only on the application of a party. We consider that it should not be left open to the slightest doubt that a judge can and should apply it of his own motion whenever the interest sued for appears *primâ facie* to be unduly high. It is, however, difficult to see that anything can be done in the large number of cases in which the defendant does not come to court and an *ex parte* decree is passed. Secondly, the opinion is expressed to us that the Act is so worded that it leaves in section 3 room for too much argument and that whether the rate in a particular case is usurious or not is too much a matter of opinion considering all the circumstances on which there is scope for almost unlimited argument and evidence.

366. It is in fact suggested to us that the law should be amended fixing a definite limit. It must be observed, however, that this would be quite at variance with the principle of the present Act, for Amendment of law.

that recognizes that circumstances may justify a high rate in one case while in another the circumstances are so different that the same rate would certainly be usurious. To fix a precise standard is to deny such elasticity and removes from a judge the duty which is undoubtedly his of forming a definite opinion on the facts of a particular case before him. Doubtless it results in some cases in the establishment of a 'court rate' of interest, but even that is less rigid than a provision in an Act of the legislature. In certain cases, e.g., suits for rent under the Estates Land Act, the rate of interest has been limited by law but it hardly seems practicable to make such a limitation applicable in all cases; nor do we consider that it would be effective.

367. There is in the Agency Tracts Interest and Land Transfer Act provision that no loan to a member of a hill tribe shall bear interest at more than 24 per cent, that it shall not be compound interest and that no decree shall be given for an amount of interest in excess of the principal amount. This is a definite provision applicable in the case of a number of primitive tribes in the forest and hills of the agency tracts. Little advantage seems to have been taken of it, but it cannot be taken as an argument in favour of such precise legislation elsewhere.

368. From the facts and opinions before us it appears that effect is given to the provisions of the Usurious Loans Act in two ways. The interest sued for is cut down by the judge in many cases and it is, for instance, the rule of one judge never to allow interest higher than 24 per cent. We are not prepared to suggest that interest at lower rate than this is not on occasions usurious but clearly there are at the present stage of development in this country a large number of cases in which it could not be so regarded. This practice, however, has one beneficial effect which has in several reports been represented to us and that is that the plaintiffs or pleaders of their own motion cut down their interest to what they think must be reasonable in the eyes of the court and if it is known that a court will not pass interest above, say, 24 per cent, nobody takes the trouble to sue for and be taxed on interest rates at a higher rate. There is consequently in this way a very great check on interest rates without the application of the Act and the principle applies which we have observed in other matters of a like nature that the existence of the lawful power is adequate and the need to use it arises only when it is withdrawn.

369. According to the judges who have given us the benefit of their opinion the development of co-operative credit societies has had considerable influence in reducing the rate of interest but on the other hand there are malpractices which this Act alone is unable to check.

370. If, as one judge has put it, the money-lender takes a document for double or treble or four times the amount actually advanced and adds to it a provision for interest at an apparently just rate and keeps accounts in accordance with the bond, when, as is often the case, there is no extraneous evidence to indicate what was

actually lent, the court is powerless to grant any relief. Yet this is a common practice which has appeared in the evidence before us and is reiterated by judges and bar associations whom we have consulted.

371. It may be as was remarked to us that 'many of the borrowers are unscrupulous rogues,' but this is beside the point in the present matter. The villainy of borrowers must be otherwise provided for, not by allowing high rates of interest as a penalty for lack of conscience.

Evasion of the Act.

372. There are in fact a number of ways in which the Usurious Loans Act is evaded. We have referred to the practice of writing documents of sums greatly in excess of what was given. It is possible in writing a fresh document to make no reference to the previous one in which no endorsement of discharge is made ; both are then treated as subsisting or again the continuity of bonds is broken by taking the new one in the name of some agent or gumasta so that there is no evidence of previous transactions to be reopened. Such practices go far to defeat the objects of the Usurious Loans Act and measures to counter such practices will be dealt with elsewhere.

373. In regard to the Usurious Loans Act we are of opinion that it is only necessary to make it clearer that judges should use it at their discretion.

The Insolvency Act.

374. We have had numerous representations made to us to the effect that the Insolvency Acts are being more and more used by dishonest debtors to evade payment of their debts and that this is facilitated by the delay in liquidation proceedings by the official receivers. The Act does not appear suitable for use by ryots and other small debtors in villages, for there is far too much scope for evasion. It is possible, on the other hand, for a debtor to multiply his creditors by fraudulent pro-notes and so to cheat his true creditors out of a considerable proportion of their dues. Similarly it is possible by collusion to produce the necessary amount of debt to bring a person within the terms of the Act.

Amendment of the Act.

375. Even apart from the question of collusion the Act is criticized on behalf of the bankers and money-lenders as providing far too much scope for delay and prevarication. Few precise suggestions have been made to amend the Act, but the criticism appears to be directed more against the manner in which the Act is administered than against the Act itself. The Multani Shroffs' Association recommends that the law 'should be so revised and simplified to assure expeditious disposal of claims . . . and to insure quick collection of assets and distribution to the creditors'. They do not, however, indicate how this is to be done. The same demand has been made a dozen times but no more precise recommendation has been made to us. A number of times it has been represented that the delay in dealing with insolvency petitions gives far too much

scope for the debtor to secrete or alienate his property. This applies both to delay in passing orders in court and in realizing assets when the matter has passed into the hands of the official receiver and it applies particularly to all mufassal cases arising outside the large towns.

Appointment of trustees.

376. It has been suggested that these courts should have power on the application of creditors to appoint trustees instead of the official receiver and that these trustees would speedily get on behalf of the creditors the best that can be extracted from the bankrupt's property. It has been urged, on the other hand, that this proposal would entail the liquidation of assets not with any idea of getting the best out of them but of merely getting enough or as much as possible for the creditors and it has been pointed out that any action which would diminish the protection obtained by bankrupts from the insolvency law might adversely affect trade. The difficulty is one which calls rather for administrative than legislative action. It is not an integral feature of the Insolvency Act that there should be great delays in winding up the affairs of bankrupts. We recommend that the official receivers and assignees should be permanent salaried Government officers and that the civil courts should be required to deal more expeditiously with insolvency and see that official receivers and assignees take all possible steps to realize assets and wind up bankruptcies with the minimum delay.

Official receiver or assignee.

377. The question of insolvency with reference to the official receiver or assignee is connected with a further problem. While the Registrar of Joint Stock Companies is responsible for registering companies and seeing that their articles of association fall within the four corners of the law and the terms of the Indian Companies Act are complied with, he has no means of ascertaining and indeed is not expected to ensure that the conduct of their business is in accordance with their articles and there are no malpractices. It has been presumed apparently that the shareholders have sufficient powers and are sufficiently alive to their own interests to discover and deal with any fraudulent practice, but this does not appear to be the case and there is no adequate authority to look to the interests of the shareholding and depositing public and to invest their savings more than they have done in the past it is necessary to provide more adequate safeguards.

378. Again, a person or firm may go into liquidation and an official receiver be appointed. His business is to see that assets are realized as completely and as quickly as possible and creditors lose no more than is unavoidable. He does not examine the conduct of the bankrupt prior to liquidation to ascertain that no offence has been committed. We consider it desirable that records of liquidated firms be scrutinized to ensure that the liquidation has not come about by culpable action by the management by an official competent to judge and to order prosecution if he considers it necessary.

379. For these reasons we recommend the appointment of an official whose duties have, we think, been sufficiently indicated in the preceding paragraphs.

Better record of rights.

380. The system of registering interest in land in this Presidency is done by the Revenue Department which maintains a series of registers overhauled every thirty years at each resettlement, maintained up to date by the karnam and the taluk office and checked every year at the jamabandi. These registers show the occupants of all land, the names of all pattadars and the revenue fields or subdivisions of fields included in each patta. If this were correct and authoritative, it would form a basis for the record of rights, but it is maintained and has always been maintained solely to facilitate the collection of land revenue. It shows the names from whom land revenue is ordinarily demanded in the first place. A patta is not a title to land; it is merely a statement of account and is in the name of the person believed to be responsible for the payment of the sum but there is no guarantee that persons whose names are in the patta, or any other such record, are the rightful owners of the land, nor does it prove that they have any title to the land.

Present system.

381. Quite apart from what is done in the Revenue Department, the Registration Department is maintaining one register showing all transfers and encumbrances over land. It maintains these registers in such a form that all encumbrances created, all transactions registered in regard to any piece of land or any patta are shown in their place against that survey or patta number. Previously it maintained a register or series of registers in chronological order showing all mortgages, etc., registered seriatim; now they maintain under the revised system in addition to the register containing copies of the documents, index registers for each village showing all encumbrances and transactions registered in regard to any piece of land by its survey and patta numbers. Although this statement is authoritative in regard to every transaction so registered, it does not follow who is the rightful owner of the land, except in cases where an outright sale has been registered, assuming that no benami transactions can be recognized. It must be admitted that if benami transactions are to be recognized a record of rights loses very much of its value. To make this record a complete record of rights it will be necessary to ascertain in each case who is the rightful owner of every parcel of land and this would be a task of very great magnitude. Even if one went to the length of making such an enquiry and preparing an authoritative list of ownership of land, at the death of a registered owner it would be necessary to provide that the successor in title should register himself and make other provisions for bringing the register up to date in the event of his failing to do so. The difficulty of creating such an authoritative registry of all titles to land in the first place and subsequently maintaining it are clearly very considerable. No doubt in some respects the Revenue Department's work might be facilitated, for instance, by providing that any subdivision registered in the Sub-Registrar's office should

be demarcated on the field and entered in the revenue accounts whether one of the parties objected to it or not, and they would thus be exempt from enquiry into a very large number of village disputes in regard to the subdivision of holdings. As the Registration Department's system now stands it is a simple matter now for any one interested in land to get a certificate of all encumbrances that have been created since the institution of the revised rules. We consider that an authoritative register showing ownership as well as encumbrances over land is desirable but are not prepared to recommend that more steps be taken in the registration of encumbrances until more experience is gained with the present system now in force in the Registration Department.

382. The system in force has particular application to ryotwari tracts and to the zamindari and other areas which have been fully surveyed. This register is, however, lacking and must be lacking in precision in regard to unsurveyed areas and the system cannot completely and adequately cover the whole Presidency until there is a complete authoritative survey of all lands in which private rights exist.

383. This record of title is of course less complete than the record of rights contemplated by the Estates Land Act, for it does not include any record of such items as rent, water rights, easements and the like, but for the purpose of raising credit and for informing a prospective lender or buyer of other people's interests in a particular parcel of land, it is a great improvement on the previous system. It only remains to continue it diligently until in the course of time it provides a complete register of title to all lands.

Delay in court and execution.

384. We have had a number of complaints from the money-lending communities that delay in courts is a serious obstacle to the realization of dues. The delays are serious. The civil courts' statistics for 1928 show the following figures: In the District Munsifs' Courts the suits pending were instituted as follows:—

—	Instituted in the year.								
	1912. (1)	1916. (2)	1917. (3)	1918. (4)	1919. (5)	1920. (6)	1921. (7)	1922. (8)	1923. (9)
Number pending in 1928	1	2	5	1	8	8	25	33	51

—	Instituted in the year.					
	1924. (10)	1925. (11)	1926. (12)	1927. (13)	1928. (14)	Total. (15)
Number pending in 1928 ..	126	410	1,331	6,302	43,217	51,523

The average pendency of contested ordinary suits was 10 months and of uncontested suits 2 months while in individual courts the average went as high as 1 year and 7 months for contested and 4 months for uncontested suits. Contested small cause suits took on the average 100 days, but in some courts went as high as 235 days, while for uncontested suits the average for the Presidency was 52 days and the highest court's average was 113 days.

385. Similarly in the sub-courts, of 4,161 suits pending—

2,231	were	instituted in	1928.
1,099	,,	,,	1927.
439	,,	,,	1926.
174	,,	,,	1925.

Contested suits took on the average 568 days, i.e., 1 year and 7 months, while uncontested ones took 3 months. In individual courts the highest average was 992 days and in contested small cause court suits the average duration was 6 months and 2 months for such uncontested suits.

386. Turning now to the district courts we find that the life of contested suits had risen to an average of 560 days, i.e., 1½ years while it took on an average 146 days, i.e., about 5 months to dispose of an uncontested suit.

387. Again turning to appeals, in the district and subordinate judges' courts the average duration of a contested appeal is 427 days, i.e., 1 year and 2 months and 7 months if not contested though in one court the average for 79 appeals was 942 days—2 years and 7 months. The average duration of appeals against mufassal court orders was 1,249 days—about 3½ years.

388. It does not follow from these figures that a suit by a money-lender to recover cash on a pro-note will occupy the average, for it is the drawn-out complicated cases that send up the average, but at the same time out of 233,626 suits filed before subdivisional courts 186,570 were for money on mortgage properties while all the small cause court suits are of that category. These money suits in fact constitute the great bulk of suits filed and their duration of which we have no figure separately must contribute largely to the average.

The delay does not stop when a decree has been got. The difficulties of a litigant in India begins according to Sir James Colville, when he has obtained a decree. A bank wants cash not a mere decree and when execution is sought, there is all the delay of serving notices, attaching and bringing property to sale and getting the sale confirmed. In many cases execution is infructuous and in 1921 in only 16½ per cent of the applications for execution in courts other than village courts in this Presidency was full satisfaction

obtained, while part satisfaction was obtained in another 7 per cent. There were in that year 239,421 totally infructuous applications.

389. The Civil Justice Committee have gone into the matter and have given various reasons for the delay both in litigation and execution and we do not propose to comment further on the matter beyond observing that such delays, whatever be their cause, place a very severe handicap on any banking business if the clients have a predilection for litigation. The delay in getting a decision in court and the possibilities for procrastination and the scope for evading the execution of a decree must be reflected in the rates of interest to all. The loss by being compelled to have recourse to the courts to recover dues is so considerable that the interest must be charged at a high rate to cover that loss and the ready payer must pay for the others who cannot or will not repay in full; so that there is here a strong argument against prompt payment and any one who pays on the due dates comes to be regarded as more foolish than his fellows. Quicker decision and prompter and more effective execution are essential if better facilities are to be given for cheap credit.

Legal obstacles.

390. The legal obstacles to the recovery of loans are principally in the delays and expenses in court. These and the Insolvency Act are dealt with elsewhere, but the difficulties in the way of establishing a title to property with certainty are also complained of. The recognition of benami claims in court has introduced a complication and so long as it is possible to plead in court that though one person's name appears in the record of title or sale-deed another person is intended and the latter is the real owner. It is useless to insist on complete registration of all titles and claims in real estate if they are to be vitiated by benami claims. A definite refusal by courts to consider any benami claim would soon put a stop to the practice of showing transactions in the name of another, for one naturally presumes that if the real nature of the transaction is to be hidden under a false name there must be some ulterior motive for the subterfuge. We therefore consider that courts should be prohibited from considering a plea that a transaction is benami.

Title to land.

391. The title to land is now registered in every sub-registrar's office and this will undoubtedly facilitate raising credit on such property but it will not get over the complications arising from the Hindu and Muhammadan Law of Succession to, and rights in, personal or family property. The difficulty of realizing against claims based on this law is doubtless one of the factors which keeps up the rates of interest in India but its elimination is a problem for which it is impossible to suggest a solution in the time at our disposal.

Cost of litigation.

392. The cost of litigation is a further difficulty to be faced by any person seeking to recover his just dues through the law courts.

393. To recover Rs. 2,000 and interest for two years at 9 per cent, namely, Rs. 2,360 in all, the expenses are as follows:—

(*a*) If the suit is filed in a City Civil Court—

	RS.	A.	P.
Stamp on plaint	217	7	0
Do. on vakalat	1	0	0
Do. summons to defendant ...	1	0	0
Do. for processes to witnesses (exclusive of batta to be paid to witnesses)	1	0	0
Do. for application and copy of decree	0	8	0
Total ...	220	15	0
Vakil's fees, if uncontested	59	0	0
Do. if contested	118	0	0

(*b*) If the suit is filed in the High Court—

	RS.	A.	P.
Stamp on plaint	217	7	0
Do. exhibit	2	0	0
Do. summons	2	0	0
Do. sheriff's fees	2	0	0
Do. process for witnesses (batta for witnesses extra) ...	2	0	0
Do. for first day hearing fees ...	10	0	0
Total ...	233	7	0

394. If the suit is filed on a negotiable instrument or on a liquidated demand, a fixed cost of Rs. 270 will be decreed in the plaintiff's favour. If otherwise, the above costs and advocate's fees of Rs. 165-3-2 will be decreed.

395. In the High Court if the plaintiff appears by attorneys or counsel a different mode of taxing costs is applied and the costs may be higher.

396. For executing the decree and realizing moneys, either by arresting the judgment-debtor or by attachment of his properties or by the sale of mortgaged properties, further expenses will have to be incurred.

For realization by execution the following further charges are incurred:—

	RS.	A.	P.
Application for copy of the preliminary decree	0	2	0
For copy of the decree itself	0	9	0
Petition to court to pass final decree ...	0	12	0
For notice to the other side	1	0	0
Application for copy of the final decree ...	0	2	0
For copy of the decree	0	9	0
Stamp for execution petition	0	12	0

	RS.	A.	P.
Stamps for filing copies of the preliminary or final decrees with the execution petition.	2	0	0
For encumbrance certificate for twelve years from the Registrar's Office to be filed with execution petition	8	0	0
Application to the municipality for an extract from the municipal assessment register if the property is within the municipal limits ...	1	10	0
For filing it in Court	0	8	0
For obtaining the quit-rent register or A. Register extract	1	10	0
For filing it in Court	0	8	0
Notice to the other side for settling terms of proclamation	1	0	0
For application for issue of proclamation ...	2	0	0
Tom-tomming	0	8	0
Application for issue of warrant to sell to the bailiff	2	0	0
Tom-tomming	1	0	0
Assuming that without further trouble the land has been sold and the sale has been confirmed—			
Cost of application to the Court for payment of the decree amount	0	12	0
Notice to the other side	1	0	0
Total ...	26	6	0

The minimum cost of executing the decree is thus Rs. 26-6-0.

This will amount to more every time the attempt to execute the decree fails or is delayed by other claimants coming in.

Equitable mortgages.

397. An equitable mortgage can be made in this Presidency only in Madras, and this ability has been in existence for a considerable time under section 59 of the Transfer of Property Act. It has recently been newly introduced in a more specific form, by an amendment to this Act. We have no statistics to show to what extent this provision has been used in the past and it is yet too soon to gauge the effect of the amendment to this Act.

398. Representations have been made to us that such a simplification of procedure is desirable and that the facility should be extended to the larger mufassal towns as affording a convenient way of providing security readily and of establishing a mortgage with the minimum of time and trouble. On the other hand, many representations were made of the necessity for having a complete registry of all titles and encumbrances over landed property. The equitable mortgage establishes an unregistered mortgage and the bigger banks do not appear to think it desirable to extend a system which they think give obvious loopholes for fraud. As we have been unable to obtain any statistical information we are not in a position to make any specific recommendation.

CHAPTER XIII.

Indigenous Banks and Bankers.

399. In this chapter we are to deal with indigenous banks and bankers as distinct from money-lenders. It is impossible to draw a hard and fast line and it must ultimately become a matter of opinion whether certain businessmen fall in the one class or the other. There are, however, certain communities which carry on business with their caste esprit-de-corps at their back and with large funds of their wealthier members which will be at their disposal at special rates and terms for use in what is believed to be sound business on the customary lines of finance practised by the particular community. Such are the Nattukkottai Chettis, the Multanis, the Marwaris, the Kallidaikurichi Brahmans, in this Presidency and in this chapter we shall deal with the operations of these communities and with the nidhis and funds of which a number exist in South India. **Banking communities.**

400. The banking communities are in fact of very ancient origin and their business as bankers and their instruments of credit or hundis go back to very early days in the history of India. In earlier days everything including trade was on a mere personal basis, the idea that all men were equal did not appear to have occurred to anyone and we have, for example, according to Vasishta, provision that interest should be charged according to the caste of the borrower, the Brahman being charged 2 per cent but the Sudra 5 per cent per month; but that was a very long time ago. However, we have numerous references to the bankers who financed the kings and acted as bankers doing business in exchange and discounting bills.

401. With regard to the Nattukkottai Chettiyars Mr. Gubbay, at one time Finance Secretary to the Government of India, made the following observations:— **Nattukkottai Chettiyars.**

> "A special type (of indigenous bankers) is that of the Chetti community in Madras. It is known that in many cases accounts can be maintained with these Indian banks on which operations by cheques are permissible and that funds lie with these bankers on time deposits at rates much above those which are available from the banks. I see no reason to doubt the commonly accepted view that both because these private bankers can afford to pay attractive rates of interest as well as because their requirements as to security are less rigid, their participation in the financial life of the community, as a whole, must be on a very extensive scale. Further they are in intimate daily touch with those with whom they transact business and can follow the doings of their clients with a closeness which is denied to the banks. There must be accumulated with these private bankers a store of knowledge and experience of the standing, moral as well as financial, and capacity of individual Indian traders and Indian trading firms, their business connexions and relations on which *if fully organized and systematized*, might possibly quite suitably rest an expansion of credit facilities from the banks."

402. The bulk of the Nattukkottai Chettiyar community is outside of the Madras Presidency and it is to be clearly understood that our remarks refer only to their business in this province.

We have had two or three estimates of their resources. It is not possible to arrive at any accurate figure, but one estimate puts their wealth at 80 crores based on the following figures:—

	CRORES. RS.
Money-lending employed in business—own capital	36
Investment in house and jewels	10
Chettiyars in Pudukkottai State, many of whom do business in British India—own capital	14
Their houses and jewels	4½
Investment in land, estates, etc., in India, Federated Malay States, etc.	15
Total ...	79½
	say, Rs. 80 crores.

Their banking business has thus a capital of about 50 crores while the same authority puts borrowing and deposits of various kinds at 25 crores more of which about 8 crores is invested by Chettiyars and known as their thanadu maral deposits. The owned capital is thus Rs. 58 crores and borrowings about 17 crores giving a total working capital of Rs. 75 crores. But another estimate made by a Chettiyar banker puts it at 80 to 90 crores in cash and 15 to 20 crores in house and other property and about 5 crores in jewels while another 15 crores are borrowed from people who are not Chettiyars.

403. The amount invested in business in the Presidency is shown in the following statement:—

The capital (owned and borrowed) employed locally and in other places by the Nattukkottai Chettiyar agencies who do local banking business—

Number of banks—243.
Amount of capital invested—6½ crores.
Borrowed capital—4½ crores.
Volume of business—11 crores.
Expenses—half a crore.

It is considerable though the bulk is used outside the province.

404. An estimate was made in 1896 that the aggregate property of the community was then about 10 crores. If that is so it has doubled itself three times in a little over 30 years. That is to say, after paying all expenses there has been a saving of about 6 per cent per annum which has been added to capital. We know that compared with their wealth the Chettiyar community lives on the whole simply and economically and it does not require a fabulously high net profit, that is to say, a net gain after paying business expenses, to pay all the domestic expenses of the community and leave a balance of 6 per cent to be added as savings to the working capital of the business,

405. This 6 per cent is, however, an average figure over a long period and it is not suggested that there has been a steady annual saving of that amount. Over the period in question there have been bad years, when money was lost, for instance, by the slumping of rubber or oil and there were good years, for example, when rubber boomed again and some who had lost in the slump recouped themselves when times improved.

406. The nature of the Chettiyars' business covers a fairly wide field and it must be borne in mind that there is a wide gulf between the biggest of these bankers and the smallest of the money-lenders among them. The deposits they have received have already been referred to and for the Madras business they do not at present hold very large deposits and the bulk of their capital is employed abroad but they do business over all the Tamil districts but not very much in the Telugu districts and the West Coast. They do not, however, do a large business in the villages for there are few Nattukkottai Chettiyars outside the towns and even the small branches, the 'rail kadais' are usually at places of some size where there is also a railway station.

407. They do a considerable banking business both direct and through their branches in charge of agents. The agent after being long an apprentice is commonly a young Chettiyar with his fortune to make and is sent out in charge of a branch after serving a long apprenticeship. All his expenses including boarding and lodging are paid and he has in addition a salary which varies from about Rs. 150 in South India to thrice the amount or more in Burma and more the farther he is from the Chettinad. He is paid in advance two-thirds of the total salary due to him for three years for which he is engaged and his successor joins him to take over the business a few months before the end of the term. He receives in addition to his pay 10 per cent of the profits. He has to offer his services, in the first instance, to his last employer, but if the latter does not need them, he is free to work anywhere he likes. His assistants receive half of the 3 years' pay in advance and a lump sum out of the profits of the business besides expenses.

408. The Chettiyar banking business consists to some extent in discounting trade hundis though this business is not very large in the Madras Presidency but they themselves issue large numbers of hundis for transmission and accommodation mainly of three kinds:— Method of business.

(i) Darsanai hundis.
(ii) Nadappu vaddi hundis.
(iii) Usance hundis payable at a fixed period after date or sight.

The first two are sight hundis but the second is peculiar in that it carries interest at the nadappu vaddi rate from date to presentation. (Vide Appendix.)

409. These hundis are largely used for accommodation purposes and for remitting funds to the Chettiyar houses in this province from the Straits, Burma and Ceylon. Much of this business

is done through agents or adathi shops in Madras and with it must be included remittances between different centres in the Presidency.

410. In addition many clean loans are given on single signature and others on joint security of two signatures and the various money-lending houses are resorted to by all classes at times of difficulty, and the Chettiyars who do not keep regular banking houses are accessible at almost all times.

411. They do not now lend to a large extent on produce, goods or immovable property, but they lend to a small extent to agriculturists on land and also on pro-notes.

Rates of interest.

412. The rates of interest vary considerably but at the basis of most business are two rates, the thavanai and nadappu rates. The former is the rate charged on thavanai deposits. These deposits are placed with the bankers for a fixed period (thavanai) which is usually two months in Madras and Burma, and three months in the Federated Malay States and the Straits. The interest is credited at the end of each such period at the thavanai rate which is fixed weekly and unless the Chettiyar repays it or the depositor withdraws it, it continues for another like period. Such deposits may continue for years and the rates are as follows:—

Thavanai rates of interest—Rangoon, Penang and Singapore for Vibhava (1928–29) and Sukla (1929–30).

Month.	Rangoon (Thavanai period of rest 2 months—60 days).		Penang (Thavanai—a matter of settlement between the parties, 3 months' rest—90 days).	Singapore (3 months' rest—90 days).
	Vibhava.	Sukla.	Vibhava.	Sukla.
	AS.	AS.	AS. P.	AS. P.
Chitrai	13, 12	12, 10½	..	10 3
Vaikasi	11½, 11	11½, 10½	..	10 3
Ani	10½	10, 9½	..	10 3
Adi	10, 9, 8	9½, 9, 8½	..	10 3
Avani	8, 7½	8½, 9	..	10 3
Purattasi	8½, 8	9, 8½, 9½	10 3	..
Arpisi	9	9½	..	10 3
Kartigai	9½, 10	9, 11, 11½	..	10 3
Margali	10½, 11, 11½ 12	..	..	..
Thai	12, 12½	..	10 3	..
Masi	12½	..	..	..
Panguni	12½, 13	..	..	..

The nadappu vaddi is fixed on the 16th of each Tamil month at each of the important centres, Madras, Rangoon, etc., by a meeting of leading Chettiyar bankers.

Current deposits.

413. The so-called current deposits by which some Chettiyars borrow are not as a rule operated on by cheque to any material extent and the fact that they employ practically the whole of their

capital and keep very little idle, does not conduce to the growth of a current account business. Such borrowings are taken at the nadappu rate which is as follows for the last two years:—

Nadappu vaddi rate per cent per annum—Vibhava (1928–29).

Month	Madras.	Rangoon.	Penang.	Singapore.	Colombo.	Imperial Bank rate.
Chitrai	10·69	9·75	8·25	7·88	9·19	7
Vaikasi	9·94	9·00	8·25	7·88	9·56	7
Ani	9·00	8·25	8·25	7·88	9·00	6
Adi	7·13	6·75	8·25	7·88	8·06	5
Avani	6·75	6·00	8·25	7·88	8·25	5
Purattasi ..	7·50	6·75	8·06	7·88	8·25	5
Arpisi	7·88	7·13	8·06	7·69	7·88	5
Kartigai	8·25	7·88	8·06	7·89	8·06	6
Margali	9·00	8·63	8·06	7·88	8·86	7
Thai	9·75	9·75	8·25	7·88	9·00	7
Masi	10·50	9·75	8·25	..	9·00	8
Panguni	10·69	9·75	8·25	..	8·81	7
	8·92	8·27	8·19	7·84	8·67	6·25

Nadappu vaddi rate per cent per annum—Sukla (1929–30).

Month.	Madras.	Rangoon.	Penang.	Singapore.	Colombo.	Imperial Bank rate.
Chitrai	10·13	9·00	8·25	7·88	9·00	6
Vaikasi	9·30	8·25	8·25	8·06	8·06	5
Ani	8·63	7·50	8·25	8·06	8·06	5
Adi	7·13	6·75	8·25	7·88	7·69	5
Avani	6·75	6·75	8·25	7·88	7·69	5
Purattasi ..	7·13	7·13	8·25	7·88	7·88	7
Kartigai	9·00	..	..	7·88	8·06	..

At Negapatam, Madura, Jaffna and Tinnevelly, however, the nadappu rate is fixed at a constant figure for each month. This is because there are few money-lending Chettiyars at these places and the rates are as follows:—

Rate per cent per annum, Vibhava (1928–29).

Month.	Madura.	Tinnevelly.	Negapatam.	Jaffna.	Imperial Bank rate.
Chitrai	12·00	12·00	9·75	12·00	7
Vaikasi	11·06	10·50	9·00	10·88	7
Ani	9·75	9·75	8·25	10·88	6
Adi	8·25	9·38	7·50	10·88	5
Avani	7·31	9·00	6·75	10·88	5
Purattasi	6·00	7·50	6·00	8·63	5
Arpisi	6·00	6·00	6·00	8·63	5
Kartigai	5·25	6·00	6·00	8·63	6
Margali	7·31	7·13	6·75	8·63	7
Thai	7·69	9·75	7·50	12·00	7
Masi	9·94	12·00	9·00	12·00	8
Panguni	12·00	12·00	8·75	12·00	7

These are, it will be seen, much higher rates than those given by joint stock banks on fund received by them in current accounts. They borrow also from the Imperial Bank on joint signatures usually at 1 per cent above the bank rate in Madras.

414. The Chettiyars' lending rates vary according to the amount lent and the security. In Coimbatore a practice has grown up of providing in the loan document higher rates of interest than is actually intended to be recovered from the debtor to cover possible losses in the event of the debtor resorting to tactics to delay realization.

415. The rates are in general higher in the villages than in the towns. They vary commonly from 9 to 12 per cent for first-class mortgages in towns in some cases and in villages about 3 per cent higher. Clean loans in towns are 9 to 15 per cent and to 18 per cent in villages, for small amounts the last-mentioned rate is common. These statements are based primarily on the statement of the Nagarathars' Association and are supported by some other witnesses. Mention should also be made of the kandu or kisti system used by small firms to finance the shopkeepers in a small way of business. It will be gone into in more detail in dealing with money-lending.

Multanis.

416. The Multanis are a community with their headquarters in Shikarpur in Sindh and Bombay seems to be their principal trading centre and from these places they have spread to all towns of any importance in the south. There are not very many of them in this Presidency, about fifteen in Madras City and lesser number in each of the commercial centres about the Presidency, perhaps a hundred to a hundred and twenty altogether, but they are not all independent firms. In some cases they are large firms with a number of branches, each in charge of a Multani agent. In other cases they are independent bankers.

417. It is not possible to say precisely what their capital is. In many cases the establishments in this Presidency are branches of firms which have their headquarters in Bombay and even in other cases also we have been unable to arrive at any figure on which we can place reliance, of their owned capital, much less of their borrowings.

Method of business.

418. They are the intermediaries between the merchants and the joint stock banks. They finance a considerable portion of the inland trade and give advances to merchants largely on the personal credit of the latter to be used for advances to agricultural and other producers and also on transactions covering goods in transit. They do not lend direct to cultivators, nor do they usually do a large business by lending specifically on goods pledged to them in godowns of which the key is delivered to them but they do grant such loans and are accustomed to release the produce piecemeal on repayment of loans. They grant such accommodation more commonly on personal security with one or two signatures

relying on their estimate of their clients' worth and reputation among their banking community. Their principal business is, however, by discounting hundis and samples of their hundis are shown in the Appendix.

419. For their funds they rely first on their own personal resources; there are the funds of their community at Shikarpur which they are able to borrow at comparatively low rates, that is, at 4 to 6 per cent. They do not receive large sums in deposit but they do take deposits locally at low rates, 3 to 6 per cent. These are not for fixed period, however they are called current deposits and are repaid as occasion demands by arrangement between the parties. Funds.

420. They also borrow for short terms during the busy season, that is, after the harvest when crops are being marketed and shifted and these funds they obtain partly from their own principals if they are only agents and if they are working independently on their personal credit from those of their community in Shikarpur who have funds available. They also borrow at the bank rate from joint stock banks, chiefly the Imperial Bank, the Indian Bank and the exchange banks, covering trade transactions for which their own funds have been utilized or sometimes but less commonly on the pledge of produce on which they have lent to merchants but chiefly this business is done not on key loans but on two signatures. Borrowings.

421. The best of their business appears to be done at rates varying from 9 to 13 per cent but this by no means covers the whole of it; they also lend up to 18 per cent in small loans on weak security. There may be a few odd cases in which it goes to 24 per cent. Their net yield appears to be 9 to 12 per cent. Rates of interest.

422. We have received a memorandum based on that presented to the Bombay Committee by the Shikarpur Shroffs' Association. These bankers complain in a printed memorandum of the Imperial Bank's competition but mainly on the ground apparently that the latter lends at a lower rate of interest than indigenous banks can. It is suggested that the Imperial Bank should not open more branches as that results in reduction of rates of interest and damage to the business of banking while exchange banks should not be allowed to take local deposits so that deposits should be more readily available with less competition to other banks and the Government should never borrow at more than 4 per cent. It is proposed that the indigenous bankers should form combines to which the Government should advance funds and in order to help the country, the indigenous banks should be supplied with State funds at low rates of interest. On the other hand we are informed in the memorandum presented to us that these bankers would oppose any attempt to regulate them or bring their transactions under any manner of control whatsoever. An agreement for *quid pro quo*

in which control is balanced by facilities would apparently be accepted by some of the indigenous bankers and even those who are agreed to control definitely expect something in return.

Marwaris.

423. The Marwaris are more numerous and carry on a large business along several lines in the towns over a great deal of the Presidency. Their number appears to be increasing. There are many old established firms and their managers in many cases set up on their own account in business after serving an apprenticeship and saving sufficient funds to make a start in a small way. Their business falls in two main heads, the smaller one who do little more than money-lending partly with their own funds and partly by borrowing, but the more prosperous undertake the financing on a large scale.

424. There are a few of the latter—larger Marwari firms doing regular banking business in each of the big towns—but there are a number of the smaller men there and in the smaller towns also.

Funds.

425. The bankers have at their back the accumulated funds of the community held in Rajputana and these funds can usually be borrowed at a low rate 4 to 7 per cent. They do not obtain much by local deposits nor apparently do they borrow on a large scale from other banks. They generally appear to be prosperous but some find it difficult to resist an opportunity for speculation.

Method of business.

426. These banking firms have various branches and it is consequently impossible to state precisely what their capital is in the Presidency, but an example may possibly give some idea of the scope of their business. There is a firm, for instance, in the Circars. It is a branch and its head office is in Hyderabad and it is said that the capital, about 8 lakhs, used in the branch is employed as follows:—

	LAKHS. RS.
Produce loans	2
Loans on gold	½
Do. on pro-notes	2½
Do. on hundis	1
Invested in rice and ginning mill	1
Loan on plant and machinery	1
Total ...	8

But these Marwaris generally have a certain amount out on mortgages also. Their rates of interest are from 9 to 12 per cent ordinarily on mortgages and from 12 to 15 per cent on produce and 12 to 18 on pro-notes while for drafts and accommodation hundis they

charge a commission of 8 annas per cent but for merchants dealing with Bombay a lower rate will be charged, for they do not then have to go to the Imperial Bank to re-discount hundis or purchase drafts. In addition to the rate of interest on loans to merchants they charge a further sum by taking a share of all profits of the business for which the loans were given. This we are informed is not by any means a universal practice but we have cases of it, for instance, in Cocanada and Madras, and the share of the profits rules from one-eighth to one-third of the profits.

427. Their hundis which they give for trade transactions and also for making remittances they do not often re-discount with the commercial banks. They have no regular banking hours and are accessible at all times when the bazaar is open. Consequently they get much business with persons who do not understand the formalities of joint stock banks and do not find the regular banking hours convenient.

428. They do not finance industry to any extent, nor do they directly give advances for agriculture but they lend to merchants, who again give loans to ryots, and they advance money on produce and on hundis employed for obtaining payment made for produce despatched to distant markets.

429. The overhead expenses of these bankers are very small so far as establishment is concerned. A clerk or two to keep their single entry books are paid Rs. 30 or Rs. 40 a month together with board and lodgings but the cost of recovering loans through court is considerable and as tedious for a Marwari as for anybody else. The cost and difficulty that arise in this connexion will be dealt with elsewhere but it will suffice to say that after making allowance for establishment, bad debts and all costs of recovery, various estimates have been placed before us of the rate of interest which an indigenous banker will realize. So far as Marwaris are concerned the best informed estimates vary from 9 to 15 per cent and the consensus of opinion favours about 12 per cent. We have, however, no precise figures by which to judge of the accuracy of the estimate.

Kallidaikurichi Brahmans—Method of business.

430. One other community remains, namely, the Kallidaikurichi Brahmans. Their headquarters are at Kallidaikurichi in Tinnevelly district but they operate over the southern districts, chiefly Madura, Ramnad and Tinnevelly. The capital of two such firms working in Madura city is about 20 lakhs together and they obtain funds also by taking fixed deposits at 6 to 8 per cent and by current accounts at 5 to 7 per cent. Their borrowings are roughly equal to their owned capital. These current accounts are used to some extent and cash is kept to meet payments. The bulk of the business of all these indigenous bankers is in the form of trade advances on hundis. They discount hundis at 9 to 12 per cent

and lend at about the same rate or little higher up to 15 per cent and do not usually deduct interest for loans in advance. Although the hundis are for trade purposes they are mostly in the form of clean hundis for accommodation or transmission of funds on personal security.

431. They purchase and issue drafts on various private bankers over the principal towns in Madras Presidency and the bigger cities throughout India on a commission which varies from 1 to 4 annas per cent in India or 1 to 2 rupees per cent for Federated Malay States. The net yield is probably about 12 per cent.

432. We are in Chapter XV making certain recommendations involving a minimum of control of the indigenous bankers by giving certain privileges in return for a voluntary registration involving the submission of a balance sheet.

Audit.

433. We have discussed the question of controlling audit in view of the views expounded in some of the representations made to us that many of the certified auditors are struggling to establish a practice and consequently have not that independence that will be necessary to command the confidence of the investing public. The banking communities are on the whole opposed to being subjected to a controlled audit. We consider that the audit done by the many practising auditors is inadequate in quality under the present system. We consider that the standard should be improved and the certificate to practice should be granted on much stiffer terms than at present and a society of auditors should be formed to control the work of public auditors.

Suggestions.

434. We have recommended a development of the co-operative institutes and of the central school in Madras with a view to their being more valuable as schools of commerce with special reference to agriculture and we consider that those schools will by teaching principles of banking and accountancy spread a knowledge of business practice. We recommend that banking be made an optional subject for the Economics Degree in the Madras University and that it be given a prominent place in the curriculum for the B. Com. Degree newly instituted in the University. We consider that the appointment of the Registrar of Joint Stock Companies who will have to deal with the registration of bankers should not be subsidiary to that of the Inspector-General of Registration. He should be an independent officer and should be sufficiently free from other duties as to be able to scrutinize with care the various articles of association and balance sheets which come before him.

435. We consider that a reserve bank which will re-discount bills is an essential facility required, and it has been urged to us that the Imperial Bank being both the Government Bank subsidized

and backed by the Government but at the same time in competition in most fields of commercial banking for the finance of internal trade is in an anomalous position. Consequently it has been suggested that a reserve bank should be set up to re-discount internal trade bills but not to compete for the bills and loan business with the commercial banks and indigenous bankers who conform to their requirements but cannot face subsidized competition. From the incomplete information before us we do not feel justified in making any comment in regard to the position of the Imperial Bank but the need for a reserve bank is, we consider, clear.

436. We have referred elsewhere to the need for a more complete registry of title in land, for elimination of difficulties arising from benami pleas, reduction of stamp duty on hundis, the law's delays and to the difficulties arising from the insolvency law, modifications required in the law of railway receipts and the desirability of extending the use of equitable mortgages.

437. The Nagarathars' Association has put forward a suggestion that mortgages should be enforceable through a 'Land Officer' giving the mortgagor the right to appear before the Collector to show cause why the land should not be sold and on his failure to satisfy the Collector, the land should be sold in much the same manner as for arrears of land revenue, allowing for others interested to enter a *caveat*. We realize the necessity for accelerating the recovery of dues on mortgages or of bringing the mortgaged property to sale and consider that it should be done more speedily. But we are unable to agree that the Revenue Department should be made into an executive department in regard to matters which legitimately fall on the civil courts, but we think that though the Revenue Department might deal more expeditiously with a few such cases, such duties cannot rightly be made as the duty of a department established for the collection of land revenue and there does not seem to be any reason why the mortgagor should not show cause before a civil judge. The remedy, we consider, lies again in speeding up the process of civil law than in transferring duties to other departments.

We think that if effect is given to the recommendation set out in this and other chapters there will be sufficient confidence established to obviate the necessity for further special measures to link up indigenous bankers with joint stock banks, and may lead to the establishment among the banking communities of firms of bill brokers and to the formation of accepting houses.

438. The origin of nidhis in Madras has been stated and their nature outlined under Chapter III. These have been registered under the Indian Companies Act, five as banks and the remainder Nidhis.

under a separate list as nidhis so that there were on the last list for 31st March 1929, 228 in the Presidency. These were distributed as follows:—

Nidhis—Distribution.

District.	No.	Paid-up share capital.
		RS.
Madras	17	67,82,839
Chingleput	12	8,48,368
South Arcot	5	6,42,230
North Arcot	7	5,63,818
Tanjore	8	35,02,124
Trichinopoly	16	9,22,496
Madura	1	11,26,056
Ramnad	5	4,54,226
Salem	6	2,85,750
Coimbatore	123	77,21,842
Tinnevelly	1	76,337
Guntur	1	15,604
Nellore	1	2,65,313
Bellary	7	4,79,921
Anantapur	10	4,40,697
The Nilgiris	4	2,80,405
Chittoor	4	5,01,477
Total ..	228	249,09,533

The essential feature of these nidhis was originally that the members joined and contributed a monthly instalment of Re. 1 for usually 84 months and at the end of the eighty-fifth month received back about Rs. 100. Loans were given to members on the strength of these subscriptions paid and balances not so lent were available for loans on other securities to the members and sometimes also to outsiders. These subscriptions constituted the only capital which the nidhi possessed and it became known and was in fact shown as share capital. From this fact certain difficulties arose with reference to the Indian Companies Act under which they have all been registered. The High Court's decision that all those who have finished their subscriptions and got their money back and departed are still liable for the debts of the nidhi on the ground that they have withdrawn their share capital without the sanction of the court has, however, greatly upset the working of such nidhis.

439. They have, however, been developing for the last sixty years and there is consequently a great disparity among them. They are only very roughly on the original model and it is curious perhaps that more than half of the total are in Coimbatore district.

Deposits and reserve funds.

440. While the total paid-up capital of all the 228 nidhis in existence is Rs. 2,49,09,533 we have obtained the figures under

deposits and reserve funds only for 218 of the nidhis and they have given us from their balance sheets the following figures:—

		RS.
Paid-up share capital	... ...	2,44,56,621
Deposits	... ...	1,16,16,695
Reserve funds	... ...	31,94,926
	Total ...	3,92,68,242

441. The nidhis in Coimbatore district have advanced much farther than in other districts and are more on the lines of ordinary banks. They are mostly in the municipalities and forty-two are in the Coimbatore town alone beside a certain number whose address is not fully stated, but they are to be found in a number of villages also. The following statement gives full details of fifty nidhis in Coimbatore district. Nidhis in Coimbatore

Serial number. (1)	Number and name of the nidhi. (2)	Where situated. (3)	Paid-up share capital. (4)	Deposits. (5)	Reserve fund. (6)	Total (working capital). (7)	Loans on share capital. (8)	Percentage of column (6) to column (7). (9)	Loans on deposits. (10)	Percentage. (11)	Loans on personal security. (12)
			RS.	RS.	RS.	RS.	RS.		RS.		RS.
1	Avanashi Bribat Kaunambikai Nidhi.	Bazaar Street, Avanashi.	15,325	500	7,730	23,555	1,097	4	..	..	9,986
2	Chinnathadagam Sri Dhanalakshmi Vilas Nidhi.	Chinnathadagam village, Coimbatore taluk.	53,700	18,225	7,402	79,327	16,875	21	..	..	70,241
3	Sokkampalayam Sri Ganesa Varthaka Sahaya Nidhi.	Sokkampalayam village, Palladam taluk.	57,300	33,242	11,548	1,02,090	27,250	26	..	..	45,730
4	Coimbatore Amba Vilas Nidhi.	Coimbatore town ..	85,925	57,148	20,772	1,63,845	18,913	11	2,068	1	1,15,237
5	Coimbatore Aryan Bank ..	Do. ..	50,000	2,27,111	15,000	2,92,111	10,565	3	325	0·1	2,18,360
6	Coimbatore Bazaar Bank ..	Do. ..	55,900	45,212	7,226	1,08,338	17,220	15	870	1	70,916
7	Coimbatore City Bank	Do. ..	76,050	47,541	4,630	1,28,221	21,645	16	2,880	2	35,078
8	Coimbatore Dravya Sahaya Nidhi.	Do. ..	1,60,000	1,51,226	32,732	3,43,958	26,783	7	43,513	13	1,25,527
9	Coimbatore Gajalakshmi Bank.	Do. ..	75,550	1,37,300	17,551	2,30,401	6,050	2	6,369	3	1,02,350
10	Coimbatore Gowri Vilas Nidhi.	Do. ..	51,000	34,500	9,294	94,794	11,425	12	500	0·5	88,287
11	Coimbatore Industrial Bank.	Do. ..	50,000	1,93,657	7,049	2,50,706	19,805	7	8,390	3	1,32,655
12	Coimbatore Janopakara Nidhi.	Do. ..	1,32,500	5,56,835	96,725	7,85,060	66,660	8	61,825	8	2,81,862
13	Coimbatore Kamalalaya Bank ..	Do. ..	36,500	26,847	971	64,318	14,428	22	1,315	2	32,239
14	Coimbatore Hindu Kripakara Nidhi.	Do. ..	2,92,998	3,65,141	1,15,951	7,74,090	47,768	6	12,755	2	3,42,646
15	Coimbatore Karuna Nidhi ..	Do. ..	62,000	1,39,305	25,610	2,26,915	15,595	7	21,175	9	2,09,010
16	Coimbatore Natarajan Bank.	Do. ..	40,550	1,11,188	6,010	1,57,748	21,522	14	..	..	74,510
17	Coimbatore Rajeswari Nidhi ..	Do. ..	60,000	18,433	1,256	79,689	27,448	34	1,960	2	34,160

Serial number. (1)	Number and name of the nidhi. (2)	Where situated. (3)	Paid up share capital. (4)	Deposits. (5)	Reserve fund. (6)	Total (working capital). (7)	Loans on share capital. (8)	Percentage. (9)	Loans on deposits. (10)	Percentage. (11)	Loans on personal security. (12)
			RS.	RS.	RS.	RS.	RS.		RS.		RS.
18	Sarvajana Sowkiya Abhivirdhini Nidhi.	Coimbatore town ..	95,700	35,151	7,933	1,38,784	29,453	21	2,269	2	45,786
19	Coimbatore Saswatha Nidhi ..	Do. ..	41,200	12,545	15,917	69,662	16,595	23	760	1	18,571
20	Coimbatore Sri Ganesar Bank, Limited.	Do. ..	53,000	83,779	7,899	1,44,678	19,607	13	6,135	4	87,731
21	Coimbatore Sri Jayalakshmi Bank.	Do. ..	60,000	1,71,896	16,742	2,48,638	14,167	6	4,405	2	1,30,661
22	Coimbatore Sri Krishna Vilas Nidhi.	Do. ..	88,920	30,542	2,674	1,22,136	31,305	25	2,772	2	53,517
23	Coimbatore Sri Shanmuga Vilas Nidhi.	Do. ..	15,050	4,012	279	19,341	8,095	41	..	..	12,566
24	Coimbatore Sri Vani Vilas Nidhi, Limited.	Do. ..	1,00,000	81,775	8,943	1,90,718	22,520	11	510	0·3	61,614
25	Coimbatore Town Bank, Limited.	Do. ..	1,85,575	6,34,084	1,01,524	9,21,183	58,959	6	24,513	3	2,20,662
26	Idayarpalayam Ayurkulavidhi Nidhi.	Vellalur, Coimbatore taluk.	..	..	..	..	..	..	..	..	..
27	Idigarai Devalaya Paripalana Nidhi.	Idigarai, Coimbatore taluk.	78,675	19,081	14,503	1,12,259	21,975	19	..	..	60,539
28	Indian Commercial Bank ..	Coimbatore town ..	63,000	1,57,952	10,000	2,30,952	..	..	8,160	3	2,34,564
29	Kalangal Sri Kalyana Venkatramanaswami Vilas Nidhi.	Kalangal, Palladam taluk.	31,000	3,000	6,267	40,267	4,820	11	..	..	34,392
30	Karamadai Ranga Raja Nidhi ..	Karamadai, Avanashi taluk.	56,875	..	17,196	74,071	12,550	16	1,400	2	58,128
31	Kollegal Sri Venkateswar Nidhi.	Kollegal, Coimbatore district.	34,825	87,281	252	1,22,358	406	·3	2,115	2	1,08,552

Serial number. (1)	Number and name of the nidhi. (2)	Where situated. (3)	Paid-up share capital. (4)	Deposits. (5)	Reserve fund. (6)	Total (working capital). (7)	Loans on share capital. (8)	Percentage. (9)	Loans on deposits. (10)	Percentage. (11)	Loans on personal security. (12)
			RS.	RS	RS.	RS.	RS.		RS.		RS.
32	Mettupalaiyam Lakshmi Vilas Nidhi.	Mettupalaiyam town.	52,825	99,971	25,000	1,77,796	..	..	2,881	2	1,31,828
33	Mettupalaiyam Sri Sarada Nidhi, Limited.	Do.	1,13,800	19,955	2,515	1,36,270	15,705	11	80	..	73,588
34	Mettupalaiyam Town Bank, Limited.	Do.	33,300	84	15,579	48,963	5,315	11	..	..	13,847
35	The Mun Mohan Bank, Limited.	Pollachi town, Coimbatore district.	52,300	2,957	1,310	56,567	20,900	36	460	0·8	11,930
36	The Narayani Bank, Limited ..	Chikkadasampalaiyam at Mettupalaiyam town.	74,000	89,683	14,355	1,78,038	13,700	8	3,930	2	86,374
37	Coimbatore Indian Bank ..	Coimbatore town ..	..	..	..	..	..	..	..	..	..
38	Ondiputhur Sri Andal Kripakara Nidhi, Limited.	Ondiputhur in Coimbatore.	22,350	4,910	..	27,260	6,235	23	..	..	26,954
39	Pappanaickenpalaiyam Dhanalakshmi Vilas, Nidhi.	Pappanaickenpalaiyam, Coimbatore district.	1,07,000	38,805	16,904	1,62,709	32,302	19	1,680	1	59,005
40	Pappanaickenpalaiyam Sri Venkatesa Vilas Nidhi, Limited.	Do.	17,500	165	24,985	42,650	1,900	4	..	..	18,580
41	The Peelamedu Karivaratharaja Devalya Paripalam Nidhi.	Peelamedu, Coimbatore taluk.	1,10,500	60,467	12,218	1,83,185	7,540	4	1,860	1	42,960
42	Periyanaickenpalaiyam Sri Ratha Krishna Vilas Nidhi.	Periyanaickenpalaiyam, Coimbatore taluk.	54,150	41,300	9,000	1,04,450	16,532	16	..	..	68,473
43	Sellakarichel Bank	Sellakarichel, Palladam taluk.	60,800	..	2,637	63,437	19,382	30	..	..	41,139

Serialnumber. (1)	Number and name of the nidhi. (2)	Where situated. (3)	Paid-up share capital. (4)	Deposits. (5)	Reserve fund. (6)	Total (working capital). (7)	Loans on share capital. (8)	Percentage. (9)	Loans on deposits. (10)	Percentage. (11)	Loans on personal security. (12)
			RS.	RS.	RS	RS.	RS.		RS.		RS.
44	Sokkampalaiyam Sri Krishnaya Nidhi.	Sokkampalaiyam, Avanashi taluk.	52,400	28,795	13,147	94,342	4,000	4	..	..	69,500
45	Sri Kannapiran Bank, Limited ..	Coimbatore town ..	40,000	1,20,323	3,500	1,63,823	14,305	9	5,195	3	99,766
46	Sri Sitha Vilas Nidhi ..	Do.	96,400	41,669	20,304	1,58,373	32,605	23	1,684	1	99,352
47	Tiruppur Sri Minakshisundara Vilas Nidhi.	Tiruppur, Palladam taluk.	1,15,200	1,59,182	35,477	3,09,859	18,790	6	..	..	61,911
48	Vattamalaipalaiyam Ram Mohan Bank, Limited.	Vattamalaipalaiyam, Vellakinar Post, Coimbatore taluk.	39,400	3,785	6,180	49,365	6,060	12	..	..	39,570
49	Viravandiputhur Sri Lakshmi Kanna Vilas Nidhi.	Viravandiputtur, Coimbatore taluk.	74,050	2,420	14,984	91,454	14,850	16	..	..	18,448
50	Annur Varthaka Sahaya Nidhi ..	Annur, Avanashi taluk.	58,120	15,300	34,748	1,08,168	10,750	10	..	..	39,077

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
1	Avanashi Brihat Kaunambikai Nidhi.	Bazaar Street, Avanashi.	..	..	6,600	2,226	Share capital, deposits and goods—12 per cent. Jewels $11\frac{1}{4}$ per cent.	Personal security $13\frac{1}{3}$ per cent.
2	Chinnathadagam Sri Dhanalakshmi Vilas Nidhi.	Chinnathadagam village, Coimbatore taluk.	..	..	..	..	Share capital loans, 12 per cent. Other loans $13\frac{1}{2}$ per cent.	Personal security 18 per cent.
3	Sokkampalayam Sri Ganesa Varthaka Sahaya Nidhi.	Sokkampalayam village, Palladam taluk.	..	2,282	8,050	..	Share capital loans 12 per cent. Other loans 15 per cent.	Personal security 18 per cent.
4	Coimbatore Amba Vilas Nidhi.	Coimbatore town ..	10,875	21,976	..	7,179	Share capital loans $8\frac{1}{4}$ per cent. Deposits $7\frac{1}{2}$ per cent. Jewels $8\frac{1}{4}$ per cent. Goods $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
5	Coimbatore Aryan Bank ..	Do. ..	30	59,342	6,350	..	Share capital and jewels 9 per cent. Goods and deposits $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
6	Coimbatore Bazaar Bank ..	Do. ..	..	515	1,524	5,774	Jewels and deposits $8\frac{1}{4}$ per cent. Goods 9 per cent. Immovable property 10 per cent.	Personal security 12 per cent.
7	Coimbatore City Bank	Do. ..	..	62,695	..	5,533	Jewels and other loans 9 per cent.	Personal security 12 per cent.

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
8	Coimbatore Dravya Sahaya Nidhi.	Coimbatore town ..	32	83,274	25,550	10,688	Share capital 7½ per cent. Jewels 8¼ per cent. Goods 10½ per cent.	Personal security 11¼ per cent.
9	Coimbatore Gajalakshmi Bank.	Do. ..	22,421	23,873	14,800	3,731	Share capital 12 per cent. Deposits 9¾ per cent. Immovable property 12 per cent.	Personal security 15 per cent.
10	Coimbatore Gowri Vilas Nidhi..	Do. ..	2,010	474	..	..	Share capital and deposits 9 per cent. Goods 10½ per cent. Immovable property 12 per cent.	Personal security 12 per cent.
11	Coimbatore Industrial Bank ..	Do. ..	1,785	23,715	41,852	2,490	Share capital 10½ per cent. Goods and jewels 12 per cent. Deposits 11¼ per cent.	Personal security 15 per cent.
12	Coimbatore Janopakari Nidhi ..	Do. ..	2,350	2,15,960	29,161	3,752	Share capital and jewels 7½ per cent. Goods 9 per cent. Deposits 8¼ per cent. Immovable property 10½ per cent.	Personal security 12 per cent.

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
13	Coimbatore Kamalalaya Bank ..	Coimbatore town ..	..	11,201	..	1,000	Share capital and deposits 10½ per cent. Jewels 12 per cent. Goods 13½ per cent.	Personal security 15 per cent.
14	Coimbatore Hindu Kripakara Nidhi.	Do. ..	2,450	1,21,631	1,81,874	4,101	Share capital and deposits 8¼ per cent. Goods 10½ per cent.	Personal security 12 per cent.
15	Coimbatore Karuna Nidhi ..	Do. ..	186	..	..	5,933	7½ per cent for all kinds of loans.	
16	Coimbatore Nataraja Bank ..	Do. ..	..	13,479	1,805	..	12 per cent for all kinds of loans.	
17	Coimbatore Rajeswari Nidhi ..	Do. ..	..	19,496	1,500	1,105	Share capital and deposits 8¼ per cent. Jewels and Government promissory notes 9 per cent. Goods 10½ per cent.	Personal security 12 per cent.
18	Sarvajana Sowkiya Abhivirdhini Nidhi.	Do. ..	223	41,733	..	13,567	Share capital, jewels and deposits 9 per cent. Immovable property and goods 10½ per cent.	Personal security 13½ per cent.
19	Coimbatore Saswatha Nidhi ..	Do. ..	..	10,931	8,030	10,000	As may be decided by the Board of Directors.	
20	Coimbatore Sri Ganesar Bank, Limited.	Do. ..	..	32,100	..	..	Share capital loans 10½ per cent. Other loans 12 per cent.	Personal security loans 15 per cent.

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
21	Coimbatore Sri Jayalakshmi Bank.	Coimbatore town ..	790	62,107	27,520	6,454	Nine per cent per annum on all loans.	..
22	Coimbatore Sri Krishna Vilas Nidhi.	Do. ..	809	18,889	12,700	5,168	Share capital deposits and all secured loans 9 per cent.	Personal security 12 per cent.
23	Coimbatore Sri Shanmuga Vilas Nidhi.	Do. ..	..	42	..	460	Share capital, deposits $10\frac{1}{2}$ per cent. Goods $13\frac{1}{2}$ per cent.	Personal security 15 per cent.
24	Coimbatore Sri Vani Vilas Nidhi, Limited.	Do. ..	6,200	77,107	12,500	2,825	Share capital loans 12 per cent. Deposits and goods loans $10\frac{1}{2}$ per cent.	Do.
25	Coimbatore Town Bank, Limited.	Do. ..	29,356	3,19,401	98,325	12,388	Share capital, jewels and deposits 9 per cent. Immovables $10\frac{1}{2}$ per cent. Goods 12 per cent.	Personal security 12 per cent.
26	Idayarpalaiyam Ayurkulavidhi Nidhi.	Vellalur, Coimbatore taluk.	..	..	..	..	Share capital 9 per cent. Immovables 12 per cent.	Do.
27	Idigarai Devalaya Paripalana Nidhi.	Idigarai, Coimbatore taluk.	1,500	5,997	12,500	3,500	Share capital, deposits and jewels 9 per cent. Goods $10\frac{1}{2}$ per cent.	Do.

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
28	Indian Commercial Bank ..	Coimbatore town ..	650	10,236	..	..	Share capital, deposits, goods, jewels, etc., 12 per cent.	Personal security 15 per cent.
29	Kalangal Sri Kalyana Venkatramanaswami Vilas Nidhi.	Kalangal, Palladam taluk.	..	25	..	20,000	Share capital, deposits, jewels 9 per cent. Goods $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
30	Karamadai Ranga Raja Nidhi ..	Karamadai, Avanashi taluk.	..	2,320	..	..	All loans $7\frac{1}{2}$ per cent.	..
31	Kollegal Sri Venkateswar Nidhi	Kollegal, Coimbatore district.	..	5,026	3,630	..	Share capital and deposits $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
32	Mettupalaiyam Lakshmi Vilas Nidhi.	Mettupalaiyam town.	150	27,063	31,900	2,166	Share capital $10\frac{1}{2}$ per cent. Jewels, etc., 12 per cent.	Personal security 15 per cent.
33	Mettupalaiyam Sri Sarada Nidhi, Limited.	Do. ..	578	3,720	28,629	17,222	Share capital and immovables 9 per cent. Goods $11\frac{1}{4}$ per cent.	Personal security $12\frac{3}{4}$ per cent.
34	Mettupalaiyam Town Bank, Limited.	Do. ..	5	78	11,700	13,271	Share capital and immovables 9 per cent. Goods $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
35	The Mun Mohan Bank, Limited.	Pollachi town, Coimbatore district.	3,345	14,497	..	..	All loans 9 per cent.	..

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
36	The Narayani Bank, Limited ..	Chikkadasampalaiyam at Mettupalaiyam town.	36,949	28,543	37,370	1,500	Immovables 9 per cent. Share capital 12 per cent. Goods $13\frac{1}{2}$ per cent.	Personal security 18 per cent.
37	Coimbatore Indian Bank ..	Coimbatore town ..	..	..	..	..	Share capital, goods and deposits 9 per cent.	Personal security 15 per cent.
38	Ondiputhur Sri Andal Kripakara Nidhi, Limited.	Ondiputhur in Coimbatore.	..	400	..	..	Share capital and jewels $10\frac{1}{2}$ per cent. Deposits 12 per cent. Goods $13\frac{1}{2}$ per cent.	Do.
39	Pappanaickenpalaiyam Dhanalakshmi Vilas Nidhi.	Pappanaickenpalaiyam, Coimbatore district.	..	3,747	6,750	2,946	Deposits, goods and shares 9 per cent.	Personal security 12 per cent.
40	Pappanaickenpalaiyam Sri Venkatesa Vilas Nidhi, Limited.	Do.	..	105	6,000	15,128	Do.	Do.
41	The Peelamedu Karivaratharaja Devalaya Paripalam Nidhi.	Peelamedu, Coimbatore taluk.	50,000	426	6,100	1,888	Deposits, jewels 9 per cent. Share capital loans 12 per cent.	Do
42	Periyanaickenpalaiyam Sri Ratha Krishna Vilas Nidhi.	Periyanaickenpalaiyam, Coimbatore taluk.	10,100	888	13,850	1,000	Share capital and immovable property $10\frac{1}{2}$ per cent, goods 12 per cent.	Personal security 15 per cent.
43	Sellakarichel Bank	Sellakarichel, Palladam taluk.	..	..	..	438	Not exceeding 15 per cent on all loans.	

Serial number.	Number and name of the nidhi.	Where situated.	Loans on goods in godowns. (13)	Loans on jewellery. (14)	Loans on immovable property. (15)	Bad debts. (16)	Rates of interest. (17)	
			RS.	RS.	RS.	RS.		
44	Sokkampalaiyam Sri Krishnaya Nidhi.	Sokkampalaiyam, Avanashi taluk.	700	1,696	1,825	..	Share capital, deposits, immovable property 12 per cent, goods and jewels 15 per cent.	Personal security 18 per cent.
45	Sri Kannapiran Bank, Limited.	Coimbatore town ..	2,100	21,817	21,506	..	Share capital and deposits $10\frac{1}{2}$ per cent, jewels, immovables 12 per cent, goods $13\frac{1}{2}$ per cent.	Personal security 15 per cent.
46	Sri Sitha Vilas Nidhi ..	Do.	225	15,020	..	8,965	Movables and share capital 9 per cent, goods $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
47	Tiruppur Sri Minakshisundara Vilas Nidhi.	Tiruppur, Palladam taluk.	38,422	1,35,702	7,100	8,779	Share capital and movables 9 per cent, not exceeding 18 per cent and not below $7\frac{1}{2}$ per cent in other cases.	Do.
48	Vattamalaipalaiyam Ram Mohun Bank, Limited.	Vattamalaipalaiyam, Vellakinar Post, Coimbatore taluk.	..	191	2,975	424	Movables and immovables 12 per cent.	Personal security 15 per cent.
49	Viravandiputtur Sri Lakshmi Kanna Vilas Nidhi.	Viravandiputtur, Coimbatore taluk.	..	..	16,600	6,900	Share capital and jewels 9 per cent, goods $10\frac{1}{2}$ per cent.	Personal security 12 per cent.
50	Annur Varthaka Sahaya Nidhi ..	Annur, Avanashi taluk.	150	4,091	2,000	2,550	Share capital 12 per cent, movables and deposits $13\frac{1}{2}$ per cent, goods 15 per cent.	Personal security 18 per cent.

442. From this it will be observed that these nidhis have also left behind the practice of borrowing and lending at the same rate of $6\frac{1}{4}$ per cent and relying on fines and penal interest to pay profits—a practice still prevalent among many of the other nidhis, though penal rates are still charged throughout the Presidency. They lend on share capital usually up to the limit of 90 per cent of the paid-up share capital and to 90 per cent of deposits, to 50 per cent of the value of jewels and 80 or 90 per cent of that of gold and silver pledged with them and usually up to 75 per cent of the value of goods in godowns and 90 per cent of the value of Government paper. Mortgage loans are limited sometimes to about 60 per cent of the value or in other cases to a lump sum while personal security loans are limited to a maximum which varies from one to five thousand. Methods of business.

The following statement shows the purposes for which a number of nidhis have granted loans and the class of persons who have borrowed:—

Name of the nidhi.	Purposes for which loans are granted and proportions of loans so granted.					Other purposes.	Percentage of each class of borrowers.					
	Trade.	Payment of previous debts.	Marriage.	Cultivation and domestic expenses.	Land and buildings.		Trade.	Government, railway, etc., officials.	Dhobis.	Railway workmen and other labouring classes.	Weavers and agriculturists.	Building contractors.
	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.	PER CENT.
1. Coonoor Sri Santhana Venugopalaswami Nidhi.	60	15	..	..	..	..	40	20	7½	32½	..	..
2. Srimad Devanga Vamshabhivardhana Nidhi, Ltd.	..	..	..	..	..	..	75	..	..	..	25	..
3. Shiyali Janopakara Nidhi, Ltd.	..	..	..	..	..	..	..	..	..	..	..	..
4. Hindupur Mutual Benefit Fund, Ltd.	50	..	..	30	20	..	50	..	..	20	30	..
5. A.B.K. Nidhi, Ltd.	..	33	..	67	..	..	..	..	..	..	100	..
6. Ootacamund Sri Krishna Vilas Nidhi, Ltd.	..	..	..	90	10	..	..	..	..	..	90	10
7. Tiruvallur Janopakara Saswatha Nidhi.	6¼	50	6¼	25	12½	..	..	..	..	..	..	..
8. Vardhana Saswatha Nidhi, Ltd.	..	..	20	..	..	20	..	75	..	20	5	..
9. Purasawakam Hindu Permanent Fund, Ltd.	..	..	..	..	95	5	60	25	..	15	..	..
10. Madras Purasawakam Hindu Janopakara Saswatha Nidhi, Ltd.	..	..	..	..	..	..	..	..	..	..	..	..
11. Tiruppattur Lakshmi Vilas Nidhi, Ltd.	30	..	20	50	..	..	30	20	..	10	40	..
12. Coimbatore Janopakara Nidhi, Ltd.	50	..	..	25	..	25	60	5	..	..	35	..

443. In general the stated objects of these nidhis are usually the same; they are to foster and give facilities for saving and they are to provide loans to the members. Some, more particularly in Coimbatore, say definitely that they are to carry on the business of banking and a number of those are indistinguishable in most respects from an ordinary small joint stock bank. None of them, however, mention in their articles what in at least some cases is undoubtedly the fact, that they are started to provide the promoters with an income. Some now exclude deposits from non-members and confine all their operations to members for the sake of the exemption from income-tax enjoyed by mutual benefit societies. Nidhis are not automatically exempt from income-tax and it is a question of fact in each case whether a particular nidhi is by its nature exempt from income-tax. Objects.

444. The business in nidhis is in other directions restricted also. Some are by their articles to confine the benefits they confer to one community, for example, the Triplicane Fund is confined to Brahmans. Some are subsidiary to the attainment of another object which they have been organized to further, for example, the Sivaganga Sri Minakshi Swadeshi Saswatha Nidhi is to assist the Theosophical Society with its profits while others, for example, the Coimbatore Amba Vilas Nidhi, are to conduct auction chits in addition to other standard objects.

445. All have, however, been registered under the Companies Act and herein lies the difficulty. The original scheme provided that the members should subscribe by monthly instalments in small amounts to share capital paying commonly 1 per cent of it monthly for about 84 months. Then again at the end of that period the whole of such share capital is refunded to the members.

446. Members can borrow on the strength of their subscribed amount but such nidhis as have their share capital provided for by monthly subscriptions do not usually permit loans to non-members. When, however, this is replaced by fixed paid-up share capital loans to non-members are not prohibited though members can in most cases even then borrow on the security of their share capital.

447. These are provisions which are not permitted under the Indian Companies Act. Section 55 prohibits the reduction of share capital except with the permission of court, but the bylaws commonly provide for it and it is frequently done without reference to court. The borrowing on the security of share capital has the same effect, for if the loan is not repaid the share capital must be credited against it and the capital is reduced accordingly. Section 101 (3) provides that at least 5 per cent of the nominal share amount shall be paid up on application. Reduction of share capital.

448. The articles of association of a large number of nidhis have been examined and they show—

Total number of cases examined	114
Number in which share capital is payable in monthly instalments	43
Number in which share capital is paid in a lump sum ...	48
Number in which share capital is paid in a lump sum or in instalments	23
Number in which share capital is repayable on termination of subscription	43
Number in which loans are granted on the security of members' share capital	113
Number in which share capital is withdrawable ...	60
Number in which they lend to non-members also ...	83

449. It will be observed that in these respects companies have been registered which not only do not comply with the law under which they have been registered but definitely provide in the registered articles of association for its acts being done which are definitely not in compliance with the law, or, as in the case of withdrawal of share capital, providing that it shall be done quite regardless of any sanction of a court as required by the Act.

450. These are not mere formal provisions. Whether these nidhis comply with the rules in regard to the issue of share certificates, return of allotments, etc., we have not deemed it necessary to ascertain in detail, for these are not provisions which are contained in the articles of association and they do not affect the constitution or inherent stability of such institutions, but these nidhis receive deposits and they are stated to be financing institutions of public importance—some of them purporting to carry on banking business and taking power to do so in the broadest lines.

451. Twenty-four of these institutions with share capital amounting to Rs. 37,36,035 have lent on the share capital Rs. 9,59,735.

	RS.
Share capital paid-up	37,36,035
Deposits received	22,10,659
Loans on share capital	9,59,735

452. The effect is that the share capital is mortgaged in detail to a considerable extent as security for individual loans and if the individuals simply leave the loans to be paid off by crediting share capital against them, as we are informed is done in some cases, the resulting reduction in share capital must strongly influence the stability and reputation of the institution and the security for deposits lodged with it. It is in one view less a matter of complying with a very proper provision of law than of securing the stability and public reputation of such institutions designed in the first place to foster saving and provide loans on reasonable terms to those who require them.

453. In point of fact the proportion of share capital to deposits, particularly when the 'share capital' is a monthly subscription, is very high; but this does not justify a practice of allowing members to add to or substract from that share capital at their pleasure without reference to the stability of the institution as a whole. These observations apply equally to provision for withdrawing share capital without providing for reference to court and for borrowing on the security of the individual holding of share capital. Similarly, it is undesirable that a member should enjoy all the privileges of a shareholder of a bank on the payment only of 1 per cent of his subscribed share capital.

Amendment of the Indian Companies Act.

454. It has been represented before us that these provisions are essential features of the nidhi in Madras and that the nidhi is a very useful institution and should be encouraged and fostered. On these premises it has been urged that as the Companies Act does not provide for them being conducted as hitherto, either the Companies Act should be so amended as to permit of the nidhis being exempt from its provisions when the articles of association are at variance with it or, in the alternative, that special legislation should be introduced to make provision for these nidhis being continued on the lines on which they have been started.

455. These nidhis, as we have observed, differ from one another very widely to such an extent in fact that there is little in common between the two extremes. A number of them have so amended their bylaws that the share capital is payable in a lump sum instead of in small monthly instalments, and the instalments are in such cases described as a deposit payable in instalments and withdrawals *in toto* at the end. This appears a proper and simple course for the share capital is essential, the permanent fund on which the operations of a commercial concern are based while the monthly subscription to a nidhi is essentially a temporary saving, put into the bank only to accumulate until it has reached a particular size with interest—whether it is called interest or guaranteed dividend, it is immaterial—is added to it and the whole put at the subscriber's disposal. There does not seem to be any reason why they should not in so far as they purport to do banking business in any form all comply with the same rule. Similarly, some of the funds have abolished the rule that share capital is withdrawable and a few have gone further and stopped borrowing on share capital. These three important provisions, namely,

(*a*) borrowing on share capital,
(*b*) paying the share capital in monthly instalments,
(*c*) making the share capital withdrawable,

differentiate nidhis from other banking institutions on a joint stock basis. We consider that if they are to be treated as banks, they should fully comply with the provisions of the Companies Act; and if they are to be recognized as public companies in which deposits may with safety be placed, they must have stability of share capital and be controlled by those only who have a definite stake in their property.

456. The nidhis in fact partake of the nature of three other institutions; (*a*) co-operative credit societies which provide for granting loans to and taking in deposit the savings of members and for a democratic management with provision for safety based on share capital, supervision on a reciprocal basis, public audit and some modicum of Governmental control; (*b*) public joint stock banks, whose accounts are published, based on share capital, paid-up, and controlled ultimately by the shareholders to receive deposits and to grant loans to members and others, chiefly others, in the interests of the shareholders; and (*c*) the chit many of which are loose associations of a small number of people who make monthly contributions to a lump sum which is to a greater or less extent paid to one of the members at each period of subscription. It is in the hands of one person and though it is to a varying degree a reciprocal benefit affair, it is run largely in his interest.

457. The necessity of this fourth institution, the nidhi, partaking the nature of these three has not been made very clear and it has in fact been suggested that they should be registered as co-operative societies; but this cannot be justified on the present constitution for it is a profit-making concern relying on the defaults and delays of the members in repayment of loans to provide the profit and dividend which the normal lending rate would not supply; and it is to be observed that in those nidhis which take share capital in monthly instalments and pay a guaranteed interest of 6¼ per cent on it, the loans given on that same capital are commonly at the same rate of interest. A bank can hardly hope to make large profits if it borrows and lends at the same rate.

Liquidations

458. There are 228 nidhis at present in existence about 70 years after the first was founded. Many of them are excellently conducted but others are open to very serious criticism and it has been represented that some are formed only for the purpose of providing paid employment to the promoter. That all are not successful or well managed is shown by the following list of 118 liquidations of nidhis during 1919 to 1929. We understand that the phrase 'efflux of time' means that the subscriptions to share capital have been completed and the whole refunded.

Nidhis liquidated—1919—1929.

Name of the nidhi.	Paid-up share capital.	Reason for liquidation.
	RS.	
1. Adhambakam Hindu Janopakara Nidhi, Ltd.	85,225	Efflux of time.
2. Ambravati Agricultural Saswatha Nidhi, Ltd.	55,860	Loss was anticipated.
3. Erode Dhana Labha Nidhi, Ltd.	11,664	Withdrawal of shares by members.
4. Kanakasabapathy Dravya Sahaya Prize Nidhi, Ltd.	39,081	Defunct.

Nidhis liquidated—1919—1929.

Name of the nidhi.	Paid-up share capital.	Reason for liquidation.
	RS.	
5. Kuthampakam Kaliyugaperumal Janasahaya Dhanasekhara Saswatha Nidhi, Ltd.	40,472	Efflux of time.
6. Sita Kalyana Saswatha Nidhi ..	165	Defunct.
7. Woriyur Sri Lakshmi Vilas Ela Nidhi, Ltd.	110	Do.
8. Hindu Mahajana Sahaya Nidhi ..	3,865	Could not stand competition with a rival.
9. Iluppai Sri Sitaramanujayya Nirantara Nidhi, Ltd.	1,18,349	Efflux of time.
10. Mannadi Mutual Benefit Nidhi, Ltd.	200	Defunct.
11. Sri Rajarajeswara Dravya Sahaya Labha Company, Ltd.	30	Do.
12. Sri Salai Vinayagar Swami Dravya Sahaya Nidhi, Ltd.	410	Do.
13. Sri Tirupporur Kanthaperumal Dravya Sahaya Nidhi, Ltd.	30	Do.
14. T.K.S.M. Ela Nidhi, Ltd.	94,868	Do.
15. Beri Chettis Bank, Ltd.	..	Do.
16. Chennai Chinnakkadai Amman Bank, Ltd.	400	Do.
17. Indian National Benefit Company, Ltd.	..	Do.
18. Jammalmadugu Anyonya Dravya Sahaya Saswatha Nidhi, Ltd.	13,741	Loss.
19. Pappampatti Subrahmanya Jana Sahaya Nidhi, Ltd.	41,075	Insufficiency of paid-up capital.
20. Subbanaickenpalayampudur Sri Ramaswami Vilasa Nidhi, Ltd.	14,500	Do.
21. Sri Gotha Kainkarya Samvartini Nidhi, Ltd.	13,414	Want of directors with requisite qualification.
22. Adhambakam Hindu Dhanasekhara Nidhi, Ltd.	1,08,785	Efflux of time.
23. City Jivadhara Mutual Benefit Company, Ltd.	..	Defunct.
24. Chintadripet Saswatha Ela Nidhi ..	180	Heavy liabilities.
25. Gaja Lakshmi Vilas Sahaya Nidhi, Ltd.	120	Defunct.
26. Hindu Bank, Ltd.	349	Do.
27. Hindu Monthly Savings Fund, Seventh Branch, Ltd.	85,644	Do.
28. Kshatriyas Fund, Ltd.	680	Do.
29. Madras Hindu Permanent Fund ..	260	Do.
30. Mahatma Gandhi Porul Upakara Nidhi, Ltd.	..	Do.
31. Puttur Muhammadan Mutual Benefit Company, Ltd.	2,897	Do.
32. Sri Minakshi Vilas Benefit Company..	..	Do.
33. Sri Rangachariyar Saswatha Nidhi ..	13,245	Do.
34. Ananda Mutual Benefit Fund, Ltd. ..	..	Do.
35. Anuppapalayam Shanmuga Vilas Banking and Trading Company, Ltd.	21,125	Do.
36. Arni R.M.S.V. Chit Fund Office ..	1,000	Do.
37. Commercial Association, Ltd.	1,57,845	Indifferent management.
38. Madras Benefit Company, Ltd. ..	1,600	Defunct.
39. Madras Samayopakara Benefit Company.	750	Do.
40. Mutual Investment Fund, Ltd. ..	8,680	Do.
41. Paropakara Dravya Sahaya Benefit Company, Ltd.	640	Do.
42. Periamet General Permanent Fund, Ltd.	..	Do.

Nidhis liquidated—1919—1929—*cont.*

Name of the nidhi.	Paid-up share capital.	Reason or liquidation.
	RS.	
43. Pollachi Ganesar Nidhi, Ltd.	6,500	Defunct.
44. Ramanathapuram Rajakula Nidhi ..	7,000	Want of sufficient funds.
45. Sourashtra Bank, Ltd.	100	Defunct.
46. St. Joseph's Benefit Fund, Ltd. ..	1,000	Do.
47. Trichinopoly Kottai Hindu Jananukula Ela Nidhi, Ltd.	441	Do.
48. Walajabad Banking Company, Ltd. ..	2,74,050	Indifferent management.
49. Agraharasamakulam Lakshiminarayana Nidhi, Ltd.	5,200	Defunct.
50. Anantapur Mutual Benefit Fund, Ltd.	11,025	Disorder in the nidhi.
51. Coimbatore Arya Vaisya Commercial Bank, Ltd.	25,750	Defunct.
52. Coimbatore National Bank	9,180	Want of funds.
53. Commercial Benefit Fund, Ltd. ..	..	Defunct.
54 Conjeeveram Saswatha Nidhi	1,100	Do.
55. Govindanaickenpalayam Sri Janakiramakripa Vilas Nidhi.	31,525	Loans irrecoverable.
56. Industrial Syndicate, Ltd.	200	Defunct.
57. Kamma Perpetual Benefit Society, Ltd.	..	D .
58. Lakshminaickenpalayam Sri Venugopal Devanayaki Alaya Paripalana Nidhi, Ltd.	68,100	Do.
59. Mercantile Investment, Ltd.	..	Do.
60. North Madras Mutual Benefit Company, Ltd.	1,000	Do.
61. Parekh and Company, Ltd. . ..	204	Do.
62. Park Town Hindu Permanent Fund, Ltd.	3,730	Do.
63. Presidency Muslim Mutual Benefit Company, Ltd.	12,000	Do.
64. Public Permanent Fund, Ltd.	..	Do.
65. Rangambal Vilas Chit Fund	200	Do.
66. Samadhanapuram Dhanalakshmi Vilas Nidhi, Ltd.	32,650	Want of funds.
67. Sorathuperiankuppam Sri Rama Sahaya Nidhi, Ltd.	2,022	Defunct.
68. Sri Janaki Vilas Nidhi	1,80,900	Loans irrecoverable.
69. Sri Paramananda Benefit Company ..	5,185	Winding up by High Court.
70. Trustworthy Company, Ltd.	200	Defunct.
71. Venugopalaswami Mutual Benefit Company, Ltd.	200	Do.
72. Golden Benefit Society, Ltd. . ..	500	Do.
73. Madras Muslim Hindu Mutual Benefit Company, Ltd.	20,000	Do.
74. Malumachampatti Sri Bakya Sahaya Pathuma Nidhi, Ltd.	48,350	Do.
75. Paropakara Dravya Sahaya Benefit Company, Ltd.	640	Wound up by Court.
76. Parvati Vilas Benefit Fund, Ltd. ..	..	Defunct
77. Santhavasal Sri Lakshmi Vilas Chit Fund, Ltd.	300	Do.
78. Srinaickenpalayam Sri Rukmani Nidhi, Ltd.	49,000	Unsatisfactory financial condition.
79. Sri Lakshmi Ananda Krishna Vilas Chit Fund, Ltd.	200	Defunct.
80. Sri Subrahmanya Vilas Nidhi ..	..	Do.
81. Sri Tirupurasundari Dravya Sahaya Nidhi, Ltd.	18,400	Do.
82. Syed Ali Bhakha Sahib Company, Ltd.	200	Do.
83. Vasantha Fund, Ltd.	2,399	Do.
84. Vellore Commercial Bank, Ltd. ..	3,07,300	Wound up by Court.

Nidhis liquidated—1919-1929—*cont.*

Name of the nidhi.	Paid-up share capital.	Reason for liquidation.
	RS.	
85. Yedayansathu Minakshi Sundaram Company, Ltd.	300	Defunct.
86. Anantapur Mutual Benefit Permanent Fund, Ltd.	11,025	Do.
87. Athipalayam Srimath Ramanuja Kripa Vilas Nidhi, Ltd.	62,450	Paucity of transactions.
88. Chennamanaickenpalayam Rama Vilas Nidhi, Ltd.	30,750	Do.
89. Coimbatore Labourers Bank and Stores, Ltd.	78,585	Defunct.
90. Dhanalakshmi Mutual Benefit Company.	150	Do.
91. Edayarpalayam Maha Vishnu Bank ..	63,250	Paucity of transactions.
92. Ekanampet Dhananukula Saswatha Nidhi, Ltd.	3,292	Do.
93. Govindanaickenpalayam Tirumal Paripalana Nidhi, Ltd.	24,450	Wound up by High Court.
94. Irukur Subramaniar Kripa Vilas Nidhi, Ltd.	74,900	Paucity of transactions.
95. Madras Native Permanent Fund, Ltd.	12,289	Mismanagement.
96. Madalupalayam Sivananda Nidhi, Ltd.	22,000	Defunct.
97. Ondiputhur Vijaya Ganapathi Bank ..	27,300	Paucity of transactions.
98. Periyanaickenpalayam Karivaratha Perumal Devalaya Paripalana Nidhi, Ltd.	15,500	Defunct.
99 Rama & Co., Ltd.	50	Do.
100. Srinaickenpalayam Madhulakshmi Vilas Janopakara Nidhi, Ltd.	19,920	Do.
101. Sri Naickenpalayam Sri Ranganadha Nidhi, Ltd.	20,500	Do.
102. Sri Venkatajalapathi Nidhi	89,000	Do.
103. Sundara Vilasam Company, Limited ..	1,250	Do.
104. Velandipalayam Yathavakula Balakrishna Vilas Nidhi, Ltd.	48,450	Paucity of transactions.
105. Venkatapuram Sri Krishna Veni Vilas Nidhi, Ltd.	87,625	Defunct.
106. Anantapur Mutual Benefit Fund, Ltd.	11,025	Affairs in a muddle.
107. Coimbatore Ananda Bank, Ltd. ..	20,500	Defunct.
108. " Mercantile Bank, Ltd. ..	58,950	Unable to meet liabilities.
109. " Easwara Sahaya Nidhi ..	17,200	Defunct.
110. " Sowcars Bank, Ltd. ..	25,360	Unable to meet liabilities.
111. " Subramaniar Nidhi, Ltd...	3,200	Defunct.
112. Indigarai Mijira Govindanaickenpalayam Sri Kothandarama Kripa Vilas Nidhi, Ltd.	21,600	Do.
113. Kallidaikurchi Lakshmi Vilas Permanent Fund, Ltd.	9,434	Financial weakness.
114. Malamachanpatti Sri Siddhi Ganesha Dravya Sahaya Nidhi.	44,400	Defunct.
115. Nayakkanpalayam Sri Tirupolamalai Ranganadha Nidhi.	10,000	Do.
116. Sri Panduranga Company, Ltd. ..	664	Do.
117. Vadakelur Muniswara Nidhi	38,850	Do.
118. Viravandi Sri Ranganayakulu Dravya Sekhara Nidhi, Ltd.	13,100	Do.
119. Venkatapuram Sri Parthasarathi Bank, Ltd.	44,200	Unable to meet liabilities.

459. They are a peculiar institution of spontaneous growth in Madras and it is apparently mainly on this score that it is sought to provide legislation to establish them permanently in their present

form but as we have already observed there is considerable disparity among the existing nidhis; a certain number have come completely into line with the Indian Companies Act. It is not a large number—there are 11 out of 114 cases examined—and these are flourishing concerns but they are enough to show the practicability of their action. These eleven nidhis are as follows:—

—	Paid-up share capital.	Deposits.	Reserve fund.	Profit.
	RS.	RS.	RS.	RS.
1. Coimbatore Aryan Bank, Ltd. ..	50,000	2,27,111	15,000	16,467
2. ,, Dravya Sahaya Nidhi..	1,60,000	1,51,226	2,490	19,336
3. ,, Gowri Vilasa Nidhi ..	51,000	34,500	9,204	8,829
4. ,, Janopakara Nidhi ..	32,500	5,55,885	96,725	29,592
5. ,, Kamalalaya Bank ..	36,500	26,847	971	4,529
6. ,, Karuna Nidhi, Ltd. ..	62,000	1,39,306	35,610	13,644
7. Punganur Hindu Janopakara Nidhi.	21,233	7,651	154	270
8. Puraswalkam Permanent Fund ..	55,872	76,530	1,530	947
9. Salem Mercantile Bank, Ltd. ..	59,725	2,235	3,503	6,707
10. Salem Shevapet Mahajana Sahaya Nidhi, Ltd.	22,525	17,235	..	7,013
11. Tiruvateeswarar Hindu Janopakara Nidhi, Ltd.	..	..	..	..

In none of them is share capital withdrawable nor do they pay the share capital as monthly instalments; only one of them, however, has gone to the full length of prohibiting lending to shareholders on the security of share capital.

460. We do not think that it is desirable to standardize and stereotype an institution which is still in an evolutionary stage, nor is it desirable to multiply legislation to provide for local variations of the law relating to public companies and finance, or whatever they may be called, that is actually what they are. The fewer different kinds of banks and institutions there are the easier will it be for the general public to get to know the details with which they must be familiar if they are to take the fullest possible advantage of the facilities provided.

461. Finally these nidhis do not fit in. Those which finance trade or industry to any material extent are the ones which are hardly distinguishable from joint stock banks; others founded on the more transient basis of a withdrawable share capital are hardly in a position to do so. They can, as they do at present, provide for savings and for loans to individuals of a long-term nature, taking considerable risks and having their money tied up for long terms as they develop however. The Coimbatore nidhis are, however, financed by share capital and fixed and other deposits in precisely the same manner as other banks. The recurring deposit has not been greatly developed and their resources are not particularly long terms. They keep current accounts so called but they are not current accounts as ordinarily understood, for in the absence of

a guarantee of payment or rather in the presence of an assurance that payment will only be made if it is convenient for the bank to do so, then accounts can hardly be operated on by negotiable cheques.

462. We would therefore recommend that these nidhis be developed in strict conformity with the Indian Companies Act, particularly in regard to the non-withdrawability of share capital and to their paying at least 5 per cent of their share capital on allotment. They might provide for prospective shareholders opening a deposit account which should be converted to a share-holding, then conveying on the holder rights of membership when it grew to be large enough but in the meantime it should be only a deposit conferring no proprietorial rights on the depositor. The nidhis should not lend on the security of share capital but they should encourage long-term recurring deposits and savings deposits. They should develop a strong share capital and set aside a considerable proportion of profits each year for their reserve funds. They should maintain current accounts only when they are in a position to provide that fluidity of funds which is essential to develop current account banking on any considerable scale. On this basis they might lend for short terms on gold and other readily realizable securities such as Government paper, goods in godowns and personal securities of proved merit to a much more limited extent; it would then be feasible to lend for longer terms on mortgage security for general industrial purposes. Their position could be strengthened if they could be federated somewhat on the lines of the co-operative central banks with an apex bank which would be a balancing centre, ensure that they develop on sound lines and see that their management keep within the limits of financial propriety. Suggestions for development.

CHAPTER XIV.

Money-lenders.

463. Among the various communities engaged in money-lending are the smaller Marwaris.

464. They are to be found in many of the towns, large and small. They will lend to any one at a price and their accessibility brings them much custom from the needy of all classes. Some of them are regular pawn-brokers lending on gold and silver, on brass vessels and on almost anything that can be sold; but they lend also on pro-notes and produce. Their funds they provide partly from their own capital and to about an equal extent by borrowing at 8 to 12 per cent from the more wealthy Marwari bankers. Marwaris.

465. Their rates of interest vary according to the demand for money, their estimate of the security offered and the need of the borrower. It is this last factor which must be condemned. The smallest of these money-lenders operate among workshop coolies, railway employees and the like, lending petty sums at rates varying from 20 to 150 per cent. With the development of his business Rates of interest.

larger loans are given at more reasonable rates which vary usually between 12 and 24 per cent.

Rural money-lenders.

466. There are money-lenders everywhere, but it is doubtful whether even half of the money-lending of the Presidency is done by professional money-lenders. The evidence we have indicates that the major part of it in the village is from one ryot to another, while the rural money-lender who does nothing but money-lending is rare. He is generally also a small merchant and ryot. There are 'Komatis' (Vaisyas) in the majority of Telugu villages—in all except the very small ones—but they are generally petty tradesmen, keeping a small shop or doing business as a merchant or commission agent. In other places, e.g., in North Arcot, the oilmonger does all these branches of business. The Vaisya Chetti is to be found scattered over a wide area chiefly in the central and southern districts, while on the West Coast the Mapilla is commonly the merchant money-lender, and other Muhammadan communities notably the Labbais carry on petty trade and lend money to villagers on produce which is ultimately to come to them for sale. These petty merchants work largely on their own capital, particularly in the villages, but they do also borrow from the indigenous banking communities in the towns though only the most prosperous of them get any deposits from the public in the villages. The ryot money-lender does his business almost entirely on his own capital though he may borrow for his own needs during a part of the cultivation season.

Mode of borrowing.

467. The borrowing takes the form in the first place, if it is a small loan for current expenses, of an entry in the khata account to which the borrower puts his signature or mark. If this loan is neglected it swells and a pro-note is executed. The pro-note may, as it occasionally does, stipulate a higher rate of interest than the lender is prepared to accept and the higher rate is only enforced if the creditor is obliged to go to court to recover. So long as the money-lender thinks the ryot is good for the amount outstanding, he does not much worry, nor does the ryot. Consequently the debt continues to swell and the pro-note becomes a mortgage. It is then only a matter of time before that piece of land changes hands. This is quite a normal procedure. It is to be borne in mind that the village sowcar—mahajan—banya—money-lender, by whatever name he is known, is more than a money-lender in very many cases. He is the village banker and keeps a running account in the khata with all the principal ryots. He pays them cash when they want it and they repay him in cash and kind at intervals. The ryot is as often as not illiterate and being ill at reckoning is not in a position to check the accuracy of what the sowcar tells him of the state of his account, but he can take the matter to the village schoolmaster or karnam or other friend conversant with arithmetic to ensure that he has not been cheated.

Rates of interest.

468. No doubt, the common rates of interest on good first mortgage is 12 per cent, but on pro-note and on pledge of goods —gold and jewels—it goes higher. It is not clear why a loan

should be at a higher rate when secured on a pledge of gold—it could hardly be better secured and one can only suppose that it is because of the borrower's urgent need that he borrows on such security and on the same consideration a high rate of interest is charged.

469. It must not be imagined that the lender has it all his own way. The ryot may borrow from two places from the same crop and repay neither. The Government may sell for arrears of land revenue the land mortgaged for another loan; a future sale and a benami purchase may bring the land back to the original debtor free of the mortgage; a crop failure may reduce the debtor to bankruptcy. There are in fact bad debts due to many causes, accidental or deliberate. One does not often hear of the village money-lender going bankrupt but no doubt this does occasionally occur. Both landlords and other ryots carry on lending businesses on similar terms, and they are money-lenders commonly give loans in kind and they also give loans in cash with a stipulation of repayment in kind. These loans involving repayment in kind are usually at higher rates than those for cash repayment and commonly involve repayment with 25 to 50 per cent of interest.

470. The rates of interest must be discussed in some detail and the following statement prepared from the evidences of witnesses shows the rate of interest paid by agriculturists in the various districts:—

Rates of interest paid by agriculturists in various districts of the Presidency.

Name of district.	Professional money-lenders.	Private money-lenders.	Payment of interest in kind.
Ganjam	12—25	12—24	..
Vizagapatam	12—36	12—24	..
Godavari, East	18—25	12—18	..
Godavari, West	..	12—36	50
Kistna	15—30	9—24	50
Guntur	12—49½	9—15	..
Nellore	15—24	12—24	25—37½
Cuddapah	..	9—18	25—50
Kurnool	..	7½—12	20—25
Bellary	12—24	12—24	..
Anantapur	9—36 (12—18 General)	12—36	..
Madras	15—36	9—24	..
Chingleput	12—50	12—24	24—48
North Arcot	12—48	9—24	36—50
Chittoor	15—36	9—18	..
South Arcot	12—37½	12—18	..
Tanjore	24—36	9—24	24—33
Trichinopoly	12—24	12—18	..
Madura	12—24	12—24	..
Ramnad	12—36	12—18	36—50
Tinnevelly	18—36	12—24	..
Salem	12—36	12—40	..
Coimbatore	12—36	12—24	50
The Nilgiris	18—20	..	..
Malabar	18—30	12—24	..
South Kanara	12—18	12½—25	..

471. This statement shows what each witness considers to be extreme rates paid, but does not show at what rate the bulk of business is done. It indicates that commonly 12 to 24 per cent is paid and that occasionally it may go to 36 or even 48 per cent. Where the practice of paying interest in kind obtains, the actual rate of interest ranges from 20 to 50 per cent.

472. The following statements show in numbers and graphically the number of mortgages registered at different rates of interest. It is compiled by taking the result of examining 100 mortgages in a year every 3 years from 1887 to 1929, showing the number of those 100 mortgages falling under each rate of interest. The result is that the number of mortgages at 12 per cent remains about constant, the number registered at higher rates has fallen off and the number at lower rates has increased and the graphic representation shows clearly the graduated downward trend of the rates of interest.

A more striking example of the reduction in interest rates is shown by comparison of two reports of the rates of interest paid by the Badagas to merchant-money-lenders in the Nilgiris. In 1912 the rates ran from 35 to 70 per cent, but in 1928, 35 per cent was the maximum.

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Statement showing the number of cases in which different *rates of interest* were charged on mortgages registered in the Sub-Registrar's office, Chingleput, during the period 1887–1929.

Y	6 P.C.	6–7 P.C.	7–8 P.C.	8–9 P.C.	9–10 P.C.	10–11 P.C.	11–12 P.C.	12–13 P.C.	13–14 P.C.	14–15 P.C.	16–17 P.C.	17–18 P.C.	18–19 P.C.	20–21 P.C.	21–22 P.C.	22–23 P.C.	29–30 P.C.	37½ P.C.
1887	7	..	3	9	3	..	67	..	..	4	..	3	1	..	1	1	1	..
1890	7	..	..	4	..	..	60	..	7	10	..	8	..	..	..	3	1	..
1893	36	..	1	6	1	..	38	..	..	11	1	5	..	..	1	..	..	..
1896	3	1	..	5	1	2	71	..	..	8	..	7	..	..	1	1	..	..
1899	6	7	..	12	..	2	45	..	3	13	..	10	1	1	..	..	..	..
1902	1	3	1	4	2	..	68	..	3	9	..	4	4	..	2	2	..	..
1905	8	..	1	4	5	2	47	2	..	13	..	11	..	..	1	5	..	1
1908	6	2	7	3	3	2	58	..	1	10	..	3	..	..	..	4	..	1
1911	9	4	1	10	14	1	50	..	1	4	1	..	2	..	..	3	..	..
1914	1	9	2	12	18	4	44	..	1	6	..	2	1	..	..	..	..	..
1917	1	3	..	10	18	4	56	..	..	3	..	4	..	..	..	..	..	1
1920	..	3	2	15	13	13	50	..	..	..	..	3	..	..	..	..	..	..
1923	1	4	6	7	10	22	38	..	1	3	..	4	..	..	..	4	..	..
1926	..	1	5	1	23	3	60	..	1	1	..	5	..	..	..	..	..	..
1929	2	2	1	7	25	2	44	..	1	6	..	5	..	..	..	5	..	..

473. The following statement prepared from the reports of our Investigators shows the amounts borrowed from money-lenders at different rates in the village. This shows 12 per cent as the most important rate, though there are considerable sums at 18 per cent in dry villages particularly in Bellary district on the Deccan.

Statement showing the amounts lent by money-lenders on different rates of interest in the 12 villages surveyed by investigators.

Rate of interest.	East Godavari district. Alamuru.	East Godavari district. Peddapalla.	East Godavari district. Penikeru.	Bellary district. P.D. Halli	Bellary district. Y. Kaggal.	Bellary district. Chaganur.	Madura district. Chittampatti.	Madura district. Kodikulam.	Madura district. Peykulam.	Coimbatore district. Kambliampatti.	Coimbatore district. Graynagar.	Coimbatore district. Nagamanaic-kenpalayam.
Per cent.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS	RS.	RS.	RS.	RS.
9	55,600	..	..	..	400	..	15,000	2,600	..	..	..	..
9⅜	..	2,830	..	..	..	..	..	..	..	..	..	..
9¾	..	200	..	..	..	..	..	..	..	..	..	..
10	..	2,000	..	..	..	..	2,510	1,200	..	400	..	4,500
10½	1,600	..	500	13,000	..	..	..	..	..	..	..	..
11	..	..	..	..	..	..	..	..	..	..	130	2,000
11¼	650	..	..	..	..	..	..	..	..	2,600	..	..
12	53,914	79,180	33,610	40,335	30,110	28,050	19,515	39,200	43,197	16,537	745	21,850
12⅜	..	..	3,050	..	..	..	..	..	..	..	..	..
12½	..	..	..	..	..	..	..	..	..	..	..	..
13	..	..	..	..	..	..	1,650	..	..	..	1,434	..
13½	2,700	400	520	..	80	950	5,000	330	..	3,235	..	..
14	..	..	..	..	750	..	8,510	300	..	..	..	..
15	4,945	..	5,087	2,200	..	3,370	1,200	26,325	320	1,595	143	2,000
16	..	..	..	..	..	..	4,620	2,150	..	..	..	..
16½	..	..	..	..	..	..	..	300	..	..	..	..
18	343	..	..	15,006	1,210	1,926	1,750	1,925	1,450	250	145	3,100
18¾	15,721	130	1,644	..	..	..	..	..	..	..	50	..
19	..	..	..	200	..	..	..	..	..	..	30	70
21	..	..	..	3,175	270	726	..	100	175	225	72	2,600
24	..	..	..	..	..	..	..	50	..	..	25	5,350
25	..	..	..	205	50	856	..	..	..	..	..	..
30	..	..	..	..	..	..	..	..	..	..	..	1,200
36	..	..	..	..	..	..	..	..	..	..	29	..
37½	240	..	..	..	..	..	..	..	..	..	30	..
60	..	..	..	..	..	..	..	..	..	..	..	..
Total ..	1,25,713	84,740	44,411	74,121	32,870	35,878	59,755	74,480	45,142	24,842	2,824	42,670

474. The following statement prepared from the settlement reports of Tanjore, Trichinopoly, East Godavari, Bellary and Anantapur gives the rates of interest for secured and unsecured debts in those districts:—

Rates of interest—Settlement Reports.

	Rates of interest.
Tanjore district—	
Secured debt	9 to 12 per cent.
Unsecured debt	6 to 24 ,,
Trichinopoly district—	
If borrowed from ryots	12 per cent.
,, money-lenders	18 ,,
East Godavari, West Godavari and Kistna—	
Mortgages of immovable property	9 to 12 per cent.
Pledge of movables	12 to 15 ,,
Unsecured loans	12 to 18 ,,
Bellary and Anantapur districts—	
Black cotton soil taluks of Bellary and Anantapur—	
4 per cent of the amount of debt	6 per cent and less.
22 ,, ,, ...	6 to 9 per cent.
44 ,, ,, ...	9 to 12 ,,
23 ,, ,, ...	12 to 18 ,,
3 ,, ,, ...	18 to 24 ,,
Red soil taluks of Bellary district—	
57 per cent of the secured debt	12 per cent and less.
3 ,, ,, ...	more than 24 per cent.
80 ,, of the unsecured debt	12 per cent and less.
1 ,, ,, ...	more than 24 per cent.
Red soil taluks of Anantapur district—	
70 per cent of the secured debt	12 per cent and less.
80 ,, of the unsecured debt	(12 per cent and less.)
12 ,, of the secured debt	12 to 18 per cent.
15 ,, of the unsecured debt	(12 to 18 per cent.)
2 ,, of the secured debt	18 to 24 ,,
2 ,, of the unsecured debt	(18 to 24 ,,)

A few thousands of rupees were taken at rates higher than 24 per cent.

475. The following statement shows the rates of interest claimed in suits in courts in six districts:—

Rate of interest claimed.	Vizagapatam.	Chingleput.	Ramnad.	Kurnool.	Salem.	Tanjore.	Total.
1—2	..	..	..		..	..	4
3—4	9	19	..	37	..	..	65
4—5	8	2	..	18	..	..	28
5—6	..	..	..	1	..	..	1
6—7	122	80	101	650	47	35	1,035
7—8	22	7	36	111	7	..	183
8—9	..	..	..	11	6	..	17
9—10	176	159	281	1,076	47	25	1,764
10—11	30	32	94	76	63	5	300
11—12	..	..	..	5	4	..	9
12—13	1,217	2,570	1,747	4,282	673	1,809	12,298
13—14	8	6	91	13	26	11	155
15—16	181	115	726	288	190	310	1,810
16—17	9	8	33	15	6	3	79
18—19	551	428	755	418	159	1,364	3,675
19—20	2	..	14	2	..	4	22
20—21	..	..	..	1	26	..	27
21—22	10	11	20	23	4	1	69
22—23	9	1	..	2	5	..	17
24—25	203	612	72	322	169	176	1,554

Rate of interest claimed	Vizagapatam.	Chingleput.	Ramnad.	Kurnool.	Salem.	Tanjore.	Total.
25—26	76	12	17	312	1	..	418
26—27	2	..	..	..	..	..	2
27—28	..	8	1	1	1	..	11
28—29	1	..	..	..	..	..	1
30—31	3	13	9	264	12	..	301
31—32	3	..	3	3	..	..	9
33—34	..	7	..	..	..	1	8
35—36	..	1	..	..	..	..	1
36—37	22	153	5	26	98	6	310
37—38	53	186	2	73	12	1	327
39—40	..	1	..	..	..	..	1
40—41	..	..	..	..	1	..	1
42—43	..	7	..	..	..	..	7
45—46	1	2	..	..	..	..	3
48—49	3	30	..	5	8	..	46
50—51	2	4	..	4	..	..	10
51—52	..	1	..	..	..	..	1
54—55	..	2	..	..	1	..	3
56—57	2	..	..	..	..	..	2
57—58	..	3	..	..	..	..	3
60—61	1	18	..	1	5	..	25
62—63	1	..	..	..	..	..	1
64—65	..	1	..	..	..	..	1
67—68	..	4	..	..	..	..	4
72—73	..	1	..	..	2	..	3
75—76	11	78	..	81	..	..	170
90—91	1	5	..	1	..	..	7
95—97	1	..	..	..	..	..	1
100	..	..	..	..	..	1	1
120	..	..	..	..	4	..	4
148	..	..	..	1	..	..	1
150	1	..	..	3	2	1	7
192	..	..	..	..	1	..	1
220	..	1	..	..	..	..	1
225	1	..	..	..	..	..	1
300	1	1	..	..	..	..	2
Total ..	2,743	4,589	4,012	8,130	1,580	3,753	24,807

Kandu system.

476. Some Nattukkottai Chettiyars, Marwaris and other money-lenders lend small sums of money to petty traders on what is known as the kandu, kisti or thandal system. Such money-lending shops go by the name of kisti or thavanai shops. Big money-lenders of good reputation very rarely have recourse to this system. A sum of Rs. 100 is lent to a small trader and an interest of say Rs. 3-12-0 is taken in advance, only Rs. 96-4-0 being paid to him and in other cases only 90 per cent is advanced. The borrower has to repay one rupee daily for 100 days. Irregularity in payment of instalments entails the payment of penal interest of two or three pies. Sometimes it is stipulated that repayment should be made in weekly or monthly instalments. As no rebate of interest is allowed on the principal repaid, the rate of interest actually works out to a much higher figure than that stipulated. For instance, if a sum of Rs. 100 is lent repayable in 10 monthly instalments and the interest of Rs. 10 is deducted in advance, the actual rate of interest works out to $26\frac{2}{3}$ per cent per annum. Agriculturists rarely borrow

under this system, which is used almost exclusively in towns for lending to factory hands, petty shopkeepers, etc.

477. It has been remarked in another place that lending is often done with an eye on the borrower's land and it appears that this is most commonly done by the ryot lender who covets the land and not by the sowcar who often does not want the land. The professional money-lenders are anxious to get their interest each year and do not rush to court to realize principal so long as the interest is paid. They prefer to give the cultivator every chance to pay them.

478. The rural money-lender usually keeps his accounts but he may employ one or two clerks and the bigger money-lenders in the town whose transactions may go to 20 lakhs may keep several but their overhead charges on account of establishment are not usually a heavy item, and the main set-off against the earned interest is the amount of bad debt. Nevertheless a prosperous money-lender would recover, we consider, after providing for bad debts and establishment and other costs of recovery at any rate 12 per cent on his capital.

479. If the money-lender lent at rates which were covered by the security offered and the facility for or prospect of recovering the loan, there could be little complaint and it would be necessary rather to protect the ryot against his own folly in borrowing too freely and using unwisely what he has borrowed than to guard him against the rapacity of the creditor, but on occasions it appears that lender goes further and puts up the rate on account of the ignorance of the borrower, the lack of finance from other sources and the urgency of the need.

Registration of money-lenders.

480. Ultimately it may be practicable to enforce registration of all money-lenders but at present we do not think this possible. We consider that it should be optional to a money-lender to register or take out a licence stating his trade name, style or vilasam and his address. Registration or licence would make it obligatory on the money-lender to supply statements of accounts on demand but in no case less than once in a year to any debtor. In the absence of dispute as to the accuracy of such statement it will be presumed to be correct in any claim preferred in regard to it in court and the debtor will be barred from disputing it unless he has done so within 15 days of its receipt.

Chit funds.

481. The chit funds in this Presidency arose before communications were developed when village had to be largely self-supporting. Their nature has been outlined briefly under Chapter III and it is clear that such a system to be worked successfully among persons of limited means, for whom indeed it is primarily adapted, depends on having members living and remaining in one place. The more the members are enabled by improved communications and other factors to emigrate to other villages, districts or countries

the more dangerous it becomes to run such chits and greater are the chances of embezzlement and evasion.

482. Chit funds have been classified under a number of different headings but it seems sufficient to enumerate a number of the commonest forms, bearing in mind that there is no standard form or stereotyped set of rules. It is open to a promoter to introduce any variation which his ingenuity may devise and his partners be induced to accept. There is consequently great variety and there are everywhere minor variations of the same general models. The main types are—

(a) *The auction chit fund.*—In this the fund is run for as many subscription periods as there are shares. Each member has usually one share but he may hold several making a subscription for each. The promoter takes the fund almost invariably at the first payment and thereafter the collection is put up to auction among the members and the one who bids the lowest amount is paid that amount on his executing a pro-note or mortgage to the promoter to ensure his continuing to pay his subscription as each instalment falls due. At the next period the successful bidder drops out of the auction though continuing to contribute. Thus each member gets the amount once and on each auction the amount saved is divided among all the other members whether they have previously been a successful bidder in an auction or not, or in just as many cases among the members who have not previously been successful. The first instalments naturally go at a considerable discount and it is quite usual in a monthly auction running for less than a year for a member to have a discount of 30 or 35 per cent and this discount gradually dwindles until the last member gets the full amount. A numerical example will illustrate the meaning.

Ten persons pay Rs. 10 a month for ten months and let us suppose that interest is calculated at 1 per cent per month and that bids are made as indicated; then each pays or receives the following amounts:—

Number of instalment.	Member.	Bid amount.	Discount.	Each other member's share of discount.
		RS.	RS.	
1	A (promoter)	100	..	..
2	B	64	36	4
3	C	68	32	$3\frac{5}{9}$
4	D	73	27	3
5	E	77	23	$2\frac{5}{9}$
6	F	82	18	2
7	G	86	14	$1\frac{5}{9}$
8	H	91	9	1
9	I	96	4	$\frac{4}{9}$
10	J	100	..	..

A pays Rs. 100 in ten monthly instalments equal at the end to 100 plus interest—104-5 and gets back 100 plus $18\frac{1}{9}$ plus interest for nine months—9 $= 127\frac{1}{9}$.

B pays 104-5 and gets	$64 + 14\frac{1}{9} + \frac{7}{100} \times 64$	$= 83\frac{2}{9}$.
C ,, ,, ,,	$68 + 14\frac{5}{9} + \frac{7}{100} \times 68$	$= 87\frac{3}{9}$.
D ,, ,, ,,	$73 + 15\frac{1}{9} + \frac{6}{100} \times 73$	$= 92\frac{5}{9}$.
E ,, ,, ,,	$77 + 15\frac{5}{9} + \frac{5}{100} \times 77$	$= 96\frac{4}{9}$.
F ,, ,, ,,	$82 + 16\frac{1}{9} + \frac{4}{100} \times 82$	$= 101\frac{2}{9}$.
G ,, ,, ,,	$86 + 16\frac{5}{9} + \frac{3}{100} \times 86$	$= 105\frac{1}{9}$.
H ,, ,, ,,	$91 + 17\frac{1}{9} + \frac{2}{100} \times 91$	$= 110$.
I ,, ,, ,,	$96 + 18\frac{6}{9} + \frac{1}{100} \times 96$	$= 115\frac{2}{3}$.
J ,, ,, ,,	$100 + 18\frac{1}{9} + 0$	$= 118\frac{1}{9}$.

This assumes a preliminary bid of 36 per cent discount which is not at all unusual, but this and the subsequent bids depend on the urgency of each member's need and the degree of competition. It is clear that at the rates of interest we have assumed, it does not pay to offer such bids. The members are usually quite unable to make such a calculation and consequently it is left much to chance whether the bids made are sound from a business proposition. Nicholson speaks of bids of a discount of 65 per cent but we have not been able to find that such high bids are now common. In a particular instance which came to our notice a 'bank' was running chit funds as its sole business. Each chit consisted of 20 shares, three being held by the bank. Each paid Rs. 25 a month and the total less Rs. 15 for running expenses were put up to auction. The first auction bid was Rs. 350 and the bank on this got Rs. $15 + \frac{3}{20}(485 - 300) =$ Rs. 35-4-0. Then their auction went for Rs. 300 and the bank then got Rs. 42-12-0 in addition to getting the whole pool three times for its subscription of Rs. 75 a month. It was evidently a profitable business though it had no reference to the name under which the bank was trading. Another point is clear and that is that the profit or loss to any member depends not merely on his own bid but on that of all other members.

In certain districts, however, it is not unusual to give the collections of a particular period to any member who is in urgent need of such money; this is a special feature in Guntur and Vizagapatam districts.

(*b*) The second system is the rotating lottery chit. It differs from the first in that the members take the amount in rotation, the order being decided by lot. In this obviously the man who draws the first chit gains and the man who waits longest loses most.

(*c*) The third system is the prize chit. In this there are a large number of members whose number bears no relation to the number of instalments. There may be 500 members of a chit run for 20 monthly instalments, then a fixed prize amounting to the amount to be paid in full by one member, i.e., the periodic contribution multiplied by the number of instalments is given to a member decided by the lot, each a month or in the alternative by

auction. The winner executes a pro-note and continues in the fund. At the end of the period the unsuccessful contributors get their subscriptions back but in the meantime they may get loans at interest from the funds collected monthly but remaining with the promoter.

(*d*) In the fourth system the prize chit is varied by the fact the successful member drops out and takes no further part in the chit. This is quite common save a lot of trouble in making collections from a person who has then very little further interest in contributing but it means that interest must make up the deficit caused by the cessation of one member's contribution each period in order that each member may get his subscription back. In this form the winning member usually gets a considerable advantage at the expense of the others.

(*e*) The fifth system is called the diminishing list chit. In this the number of members has no relation to the number of instalments. The successful member each month is decided by lot, he receives a fixed amount as agreed among the members and the prize is not necessarily the amount paid in by the members. The balance at each subscription after the winning member has received his prize and dropped out of the chit is put to the credit of the fund. The fund is at the end divided among the members and as the members who drew prizes almost always got more than they put in, the other members get less unless the fund is lent out at interest. This kind of fund is common with small numerous subscriptions, e.g., 500 subscribers of one rupee a month and being a troublesome business to collect so many small funds and as the people concerned are not in affluent circumstances and a man of position would not run such a chit frauds are common.

(*f*) A further variation of the last chit is provided by making the subscription begin with a very small amount and then increase in arithmetical progression at each payment. This is of course a variation that can be applied to almost any chit but we have come across it only in connexion with the last-mentioned one.

483. It will be plain that such chits can be run for rupees and for bags of nut or for any other commodity and in fact they are run for annual payments of Rs. 1,000 each among men of considerable position and they are run at the shandies among the old women who sell vegetables and make a contribution weekly, each in turn getting the pool to supply her with capital to buy the meagre stall of vegetables which she takes to the market.

484. There are accordingly a vast number of such chits run among almost all classes. The Court of Wards finds it necessary to provide for the continuance of such subscription on behalf of considerable estates which have fallen under its management while in some towns there appears to be hardly a working man who has not got some connexion with or close knowledge of some chit. It is consequently in view of the very large divergence in their size impossible to get accurate information of their number.

485. Again chits are run confined to a small village or to a particular community or petta (quarter) in a town. On the other hand, there are chits to which members in different parts of rural society in which communications were defective and emigration from the locality rare, where the members could easily be got at to dun them for their contribution but the development of communications has not yet brought about their downfall and if it is easier for a member to get away from the management of the chit, equally it is easier for the management to pursue him, but the other conditions, lack of organized credit facilities, to permit of savings deposits, the accommodation of small capital and the accessibility of loans on easy terms, has not so greatly altered that there is now no occasion for such chits. We have no reason to suppose that their number has diminished and it is certain that thousands still exist.

Malpractices.

486. It is inevitable that there should be in such a system a large variety of malpractices. In certain forms it is run definitely as a lottery in which it is a complete gamble whether the member wins or loses. The diminishing chit fund may result in later members getting a smaller price than earlier ones but it was undoubtedly designed to meet the end of members ceasing to subscribe after they have drawn their price and leaving it to the promoter to sue him in the civil courts, but the lottery is an appeal to the gambling instincts and cannot be encouraged by any one having the interests of sound business and banking development at heart.

487. It is plain from the start that there is rarely any philanthropy in conducting such funds. Though on occasions chits of all kinds are run at least partly to support a charity or religious object, the promoter does it for what he can get out of it. He may have had some misfortune or loss which may bring him the sympathy of the villagers and consequently their willingness to co-operate in a chit, but the chit is for the promoter generally. Further the promoter will not raise money in the long and difficult method merely to raise a lump sum loan if he could do so elsewhere on reasonable terms and it follows that he is commonly not a person of great credit. In fact it has been observed that he is commonly a 'man of straw.' The absence of accounts is a common failing and the death of the promoter is apt to cause endless difficulties with heirs particularly when a number of members are only too anxious to drop the whole matter having drawn their prizes and there is a lump sum of accumulated balances in the hands of the promoter and little, if any, precise account to show how matters stand.

488. The profits of a chit fund are derived in part from penalties for delay in the payment of contributions. These penalties may be and commonly are at very high rates; 3 pies per rupee per day is not uncommon and this is at the rate of 570 per cent per annum. When accounts are not properly kept and the members

are not good at arithmetic it is a simple matter for an unscrupulous person to extract penalty beyond what is due and suppress them when it comes to sharing profits with others.

489. The securities taken frequently make no mention of the chit and a suit is followed by a plea of lack of consideration and the promoter pleads non-payment of subscriptions to delay or reduce the payments made to successful members and it is not uncommon to pay members not in cash but in the endorsed pronotes of other members leaving them to recover what they can.

490. Insolvency will ruin any chit and with increasing resort to such a procedure to evade payment of debts the position of members becomes increasingly precarious as the chit proceeds. These are some of the more obvious difficulties but one District Magistrate has described their abuse as a weapon used by landlords to get control over their illiterate tenants and in Tinnevelly the strong expression was given to the abuses by unscrupulous persons setting up as chit promoters (karaswans) and making considerable wealth at the expense of 'innocent and unwary persons.'

491. These are indeed obvious defects. Apart from the gambling nature of some of the chits and the fact that the reasonable and proper use of such funds involves a knowledge of the 'present value' of any subscriptions far beyond the experience of the ordinary villager and of the actual rates of interest which he is providing for in making a bid there is the weakness inherent in the system that once a prize has been drawn the member is interested only in the demise of the chit and as the promoter gets the bulk of his reward in drawing the first instalment for himself, the sooner he can bring the chit to an end the more he also will profit. There is therefore a strong incentive to fraud and we are informed that in Tinnevelly district it is not uncommon for persons living in villages with business in different places of which the other villagers have no precise knowledge to start chits when they get into difficulties. Such funds may rescue them but if their fortunes continue on the downgrade the chit is apt to come to a calamitous end.

492. It is on the other hand idle to suppose that all chits are conducted only by idle and loitering persons, by vagabonds and by swindlers.

493. The cheating and evasion are not confined to the promoters and the number of these chits is a clear indication that numbers are conducted honestly; and the correct and sane view seems to us to be that these chits are useful institutions which have arisen under conditions of defective credit arrangements, exorbitant interest rates and faulty communications. They are not by their nature a form of association which should be strongly fostered and with the spread of knowledge of credit facilities and the improvements of communication they are likely to be superseded by more stable forms less open to abuses of all kinds. Their main defects have been indicated and while there are many properly

run funds it is unquestionable that the system is more abused and more freely open to abuse than can with equanimity be contemplated in an organization taking part in the general financing arrangements of the province.

494. We have endeavoured to obtain some information regarding the relative number of chits of various sizes and the following statement indicates the proportion in a number of cases examined. These probably do not include a number of the smallest run among very poor people:—

—	Pollachi.	Dharapuram.	Coimbatore.	Gobichettipalaiyam.	Tiruppur.	Total.	Tinnevelly district.
Number of chits with prize not exceeding Rs. 50	25	39	..	1	12	77	1,108
Number of chits with prize amount Rs. 50 to Rs. 500	20	14	22	9	86	151	1,538
Number of chits with prize amount Rs. 500 to Rs. 2,500	15	5	25	3	19	67	1,279
Number of chits with prize amount over Rs. 2,500	20	..	8	12	2	42	234

These figures agree in the relative importance of the chit with prize running up to Rs. 500. This is generally a monthly chit. The big chits are comparatively few.

Control.

495. It is a curious fact that though there are numerous co-operative credit societies in all districts and that practically all make provision for running chit funds under some modicum of control, practically none do run such chits, but the restriction of the discount which may be bid is a contributory cause to the failure to take advantage of the bylaw. The promoters make some of their profits by malpractices and if the chits are controlled and these malpractices are cut out, their profits will be diminished. Effective control will probably result in a number of such chit funds coming to an end. It may kill them altogether. They have arisen from two legitimate demands in villages—

(*a*) the necessity for a lump sum down to meet some unusual expenditure,

(*b*) to provide a form of saving when people are rarely strong-minded enough to keep their own savings and not to spend them.

The development of other agencies must react detrimentally on the chit funds as at present conducted. It is therefore somewhat doubtful what effect an attempt to bring such chits under control will have but the abuses which have been adumbrated as well as the possibilities for good of such funds indicate that it is desirable to introduce measures for their control. If this control

results in a very serious diminution in their number we consider that this is no reason for deferring action but no attempt should, we consider, be made to foster their development if they show signs of dying a natural death.

496. The control should take the form of registration by the district officer which should be optional and should be accompanied by a list of members and of the bylaws. Without a certificate of registration no civil court should be permitted to entertain any suit on behalf of any chit or of a member of it as such. The members of the chit should have, however, a cause of action against promoters and should have power to apply for registration. Government should have power to make rules proscribing certain forms of chit including prize chits. Very full publication should be given to all rules promulgated in regard to all chit funds.

CHAPTER XV.

Banking.

497. The modern bank is of comparatively recent origin, but its forebears go back to the dawn of history in a number of forms and it cannot be said even by genesis that any single feature characterizes a bank. The Jews have always been connected with finance and in the Bible are references to the money-changers in the temple of Solomon and of the practice of depositing money with the money-changer, to be let out ' at usury '. But deposit banking found an earlier example in the Greek temples and was developed in ancient Greece to a high degree. In ancient Rome too were bankers who kept current accounts, did money changing or exchange business as well as being tax gathers for the State and money-lenders who lent on mortgage and other securities; but the dark ages eclipsed these institutions and only the Jews came through that period apparently unchanged. With the Renaissance, trade and banking revived in the cities of Lombardy when the money-changers' bench, according to a widely accepted derivation, gave rise to the modern name of ' bank '. The Bank of Amsterdam founded in 1609 was the model on which most of the later banks with a defined constitution were formed. It dealt in exchange and trade bills while the civil war in England in the 17th century gave a fillip to deposit banking. In England exchange of bullion was a royal prerogative formed out and conducted by King's exchangers at the ports but later it fell into the hands of the goldsmiths largely on account of the debasement of the coinage. That part of banking which deals with money-lending has in Europe almost entirely directly descended from the Jews and Lombards but deposit banking must be traced back rather to the goldsmiths, previously only money-changers, who became custodians of plate and bullion deposited with them and issued ' Goldsmith's notes ' as paper money and it was these goldsmiths, not the Jews or Lombards who were actually known as History.

'bankers' in the middle of the 17th century. The transmission of money, however, by bills of exchange purchased from or sold to merchants was in the hands of another class of dealers. The shroff or money-changer in the India of an earlier age when kings and currencies were numerous and short-lived corresponded precisely with the money-changers in the commercial cities of Europe or on the caravan trade routes in Asia and Africa. Money-changers were about the time of the break-up of the Moghul Empire, numerous and included many who could hardly be called bankers but there were the larger communities of whose financial activities in financing the campaigns of princes and the trade of more peaceful interludes there are records in very early times. The hundi is distinctly an antique form of currency and the laws of Manu refer to deposits, pledges and the recovery of loans. These developed into the indigenous bankers of to-day. To go back to the origin therefore we get no distinction between money-lender and banker and the development to the modern large bank with many branches and centralized control has been gradual and continuous but it has not come from a single source. It is the descendant of many ancestors and to define it it is necessary to draw an arbitrary line of distinction.

Definition.

498. We have set out these facts briefly to demonstrate the impossibility of taking any one of the lines of business of modern banks and saying that is the essential feature of banking. Current account banking is not an essential feature, there are many institutions which are unquestionably banks which do not provide for them. Agricultural and land mortgage banks do not deal in exchange, inland or foreign, by bills or in any other way, and some banks do not even receive deposits. They may derive their funds from their own capital or from debenture issues or from different kinds of deposit. They may issue paper on the strength of valuables lodged with them. They all lend in some form but this does not distinguish them from money-lenders. It is not essential that they should deal in bills of exchange or hundis. Many banks do not do so.

499. We may quote from a speech in the House of Commons* "What is it that we call a banker? There is in this city a company or corporation, called Goldsmiths, and most of those called bankers are of that corporation, but so far as I know there is not a company or corporation in England called bankers nor has the business any definition or description either by common law or by statute. By custom we call a man a banker who has an open shop with proper counter and servants and books for receiving other people's money in order to keep it safe and return it upon demand; and when any man has opened such a shop we call him a banker without enquiring whether any man has given him any money to keep or not for this is a trade where no apprenticeship is required it having never yet been supposed that a man who sets up the trade of banking could

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* London Magazine, 1746, page 120.

be sued upon the statute of Queen Elizabeth which enacts that none shall use any art or mystery then used but such as have served an apprenticeship in the same".

500. And we are again faced with the fact that the only essentials of a banker are that he shall have a regular place of business and that his principal business shall be to deal in currency. It is impossible to find in practice and to set out in a definition a hard and fast line between the money-lender and the banker. But the use of the term bank or banker carries with it a certain dignity and a *prima facie* assumption that the banker is on a sounder basis of credit, a safer person to entrust with funds than the money-lender, but if this is further enhanced by the restriction of the use of the title, some definition becomes necessary. The only practicable way out of the difficulty seems to be to follow the precedent in the Co-operative Societies Act, 1912. No institution can in describing itself use the word "co-operative" unless it has been registered as a co-operative society by the Registrar and it is for him to decide in ordering or refusing the registration, a matter which is in his discretion whether the institution is really a co-operative society.

501. We would like to define the words "bank" and "bankers" and restrict the use of these words and of all forms of these words such as "banking house", "banking agent" and so forth but recognize the impracticability of now introducing restrictions on the use of such words when they have already long been in customary use.

502. We find it necessary to distinguish between different types of banks registered under the Indian Companies Act. No such company, we recommend, should be registered as a bank unless it provides in its articles that profits should be distributed to shareholders only after— Suggestions.

(*a*) all preliminary and floatation expenses have been paid;

(*b*) adequate provision has been made for depreciation and reserve funds.

It should be required to submit an annual statement in a form to be prescribed and if it wished to carry on any mercantile business for which its funds would in any degree be liable it would not be entitled to registration as a bank and embarkation in any such business except in the course of realizing its assets would be adequate ground for cancellation of such registration.

503. The indigenous bankers must be dealt with independently and for them we recommend that they should be registered as partnership or individual with authority to call themselves bankers. It is, we consider, impracticable, in view of large number of houses now calling themselves bankers, to prohibit, as we should like to prohibit, the use of the style "bankers" by any unregistered financier. Registration as a banker should be optional and should be permitted only for those who do only a banking business, not for Indigenous bankers—Registration.

those merchants who do a little banking or money-lending in addition to their other trade. Those registered would be required to file a balance sheet prepared by a certified auditor annually and in return for these restrictions, apart from the enhanced credit that would flow from the subjection to this degree of control, the "banker" should be given the benefit of the Bankers Testimony Act and of any concessions practicable with regard to a reserve bank or central banking institution if formed.

CHAPTER XVI.

Investment Habit and Attraction of Capital.

Scope for investment.

504. At present the facilities available for investments are considerable but it is desirable to bring out the frozen capital and make it available for use. For the well-to-do educated man there is ample scope for investment. He can deposit in the banks, buy Government paper or any other forms of shares through the stock brokers in Madras but we propose here to examine the facilities available for the vast number of less wealthy and less educated persons, particularly in the small towns and villages; for a very small saving per head would in the aggregate amount to a very considerable figure. The slow growth of the banking and investment habit has been attributed by those whom we have consulted to a number of causes. The Arbuthnot smash undoubtedly came as a great shock and minor failures since then have served to remind the nervous of the risk of entrusting their funds to the care of others, but more than this the lack of banking facilities over considerable areas and the ignorance of large numbers, who have small amounts to set aside or invest, of the actual facilities that now exist. We shall deal seriatim with the various facilities available for depositing or investing savings.

Postal cash certificates.

505. The following table shows the figures for the Madras Circle:—

Statement of post office cash certificates sold in the Madras Circle from the beginning of their issue.

Year.	Denomination in rupees.						Cost realized.		
	10	20	50	100	500	1,000			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
							RS.	A.	P.
1917-18 ..	60,760	17,949	9,032	27,274	1,279	..	37,08,437	0	0
1918-19 ..	1,24,364	36,332	11,039	13,918	2,078	..	38,43,855	8	0
1919-20 ..	15,110	1,698	746	1,881	610	..	6,06,019	0	0
1920-21 ..	962	282	407	1,305	382	..	2,90,113	8	0
1921-22 ..	291	206	371	851	311	..	2,42,606	0	0
1922-23 ..	235	228	405	1,148	313	..	2,54,556	8	0
1923-24 ..	*2,520*	*1,164*	*1,613*	*5,181*	*3,971*	*1,718*	*32,64,172*	*8*	*0*
1924-25 ..	2,029	2,024	1,991	5,812	2,249	2,192	30,43,515	0	0
1925-26 ..	4,268	4,696	3,767	9,872	3,402	5,374	62,90,362	8	0
1926-27 ..	*3,940*	*3,434*	*3,060*	*8,460*	*2,718*	*5,497*	*61,71,387*	*0*	*0*
1927-28 ..	3,688	3,267	2,899	6,995	2,146	3,090	40,35,746	12	0
1928-29 ..	2,563	2,777	2,807	5,915	1,748	2,420	32,85,755	0	0

Statement of post office cash certificates discharged in the Madras Circle from the beginning of their issue.

Year.	Denomination in rupees.						Amount paid.		
	10	*20*	*50*	*100*	*500*	*1,000*			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
							RS	A.	P.
1917–18 ..	5,154	1,231	525	1,677	40	..	2,24,835	4	0
1918–19 ..	64,723	20,559	7,519	10,055	466	..	21,09,623	10	6
1919–20 ..	71,125	19,278	5,737	8,304	855	..	22,30,699	1	6
1920–21 ..	24,932	5,841	2,318	5,020	626	..	11,43,155	10	3
1921–22 ..	8,996	2,606	1,225	3,407	392	..	7,09,788	3	0
1922–23 ..	7,503	2,435	1,923	9,219	858	..	15,18,395	5	9
1923–24 ..	6,604	1,949	1,575	4,063	1,255	51	11,58,332	2	0
1924–25 ..	3,353	1,042	1,009	2,348	921	264	8,92,370	9	6
1925–26 ..	1,795	855	777	2,370	876	519	10,31,183	11	6
1926–27 ..	1,676	1,016	967	2,450	775	1,022	1,45,997	4	3
1927–28 ..	1,702	1,076	1,005	3,007	990	1,116	16,70,274	13	0
1928–29 ..	2,203	1,738	1,637	4,395	2,006	1,558	27,87,504	8	3

It will be seen that barring the three years ending 1919–20 during which circumstances appear to have been exceptional the average denomination most freely purchased is that of Rs. 100, and the number of certificates of this value is almost double the figure for any other denomination. The only deduction possible from this is that the less well-to-do—those who might buy certificates of the denomination of Rs. 10, who are much more numerous than those who would buy certificates of Rs. 100—are not taking advantage to any great extent of this form of saving.

Postal savings banks.

506. The following statement shows the business of this fund in the Madras Circle for the past ten years:—

Year. (1)	Number of head banks. (2)	Number of sub-banks. (3)	Balance of accounts. Balance of the preceding year. (4)	Opened during the year. (5)	Closed during the year. (6)	Balance. (7)
1919-20	38	1,793	1,88,287	4,41,341	39,564	1,93,064
1920-21	38	1,800	1,93,064	50,067	35,456	2,07,675
1921-22	38	1,820	2,07,675	46,270	35,141	2,18,804
1922-23	38	1,824	2,18,804	47,148	34,822	2,31,130
1923-24	37	1,838	2,31,130	54,283	35,165	2,50,248
1924-25	37	1,788	2,50,248	50,913	24,999	2,76,162
1925-26	37	1,825	2,76,162	54,179	25,541	3,04,800
1926-27	37	1,997	3,04,800	61,809	26,801	3,39,808
1927-28	37	2,087	3,39,808	67,801	29,206	3,78,403
1928-29	..	..	3,78,403	72,372	31,816	4,18,959

Year.	Opening balance. (8)	Deposits. (9)	Interest. (10)	Total. (11)	Withdrawals. (12)
	RS.	RS.	RS	RS.	RS.
1919-20	1,15,61,288	1,50,30,144	3,42,140	2,69,33,571	1,39,12,149
1920-21	1,30,21,423	1,71,97,988	3,70,377	3,05,89,787	1,65,51,225
1921-22	1,40,38,563	1,87,05,994	3,98,551	3,31,43,108	1,84,79,673
1922-23	1,46,63,434	1,75,96,200	3,96,643	3,26,56,279	1,82,65,414
1923-24	1,43,90,865	1,89,43,554	4,02,727	3,37,37,146	1,84,45,496
1924-25	1,52,91,650	1,90,58,941	4,21,462	3,47,72,056	1,92,64,515
1925-26	1,55,07,541	2,04,39,018	4,31,808	3,63,78,367	1,96,95,945
1926-27	1,66,82,421	2,49,01,805	4,93,229	4,20,77,455	2,22,26,980
1927-28	1,98,50,476	2,83,48,827	5,73,966	4,87,73,269	2,60,65,455
1928-29	2,27,07,814	3,12,96,353	6,60,681	5,46,64,848	2,95,12,361

Year.	Balance. (13)	Average number of depositors per bank. (14)	Average balance in each bank. (15)	Average balance at credit of each depositor. (16)
	RS.	RS.	RS.	RS.
1919-20	1,30,21,423	105·44	7,111·61	67·44
1920-21	1,40,38,563	112·98	7,637·95	67·59
1921-22	1,46,63,434	117·76	7,892·05	67·01
1922-23	1,43,90,865	124·12	7,728·71	62·26
1923-24	1,52,91,650	133·46	8,155·54	61·10
1924-25	1,55,07,540	151·32	8,497·28	56·15
1925-26	1,66,82,421	163·69	8,959·40	54·73
1926-27	1,98,50,476	167·06	9,759·33	58·42
1927-28	2,27,07,814	178·15	10,691·06	60·00
1928-29	2,40,29,664	..	..	..

The number of persons taking advantage of this is roughly 380,000 in a population of 66,000,000 covered by the Madras Circle of which Madras Presidency contributes about 42,000,000, that is, 57 per cent or if we take it that only one person in a household of five has an account with the post office savings bank the proportion of the population taking advantage of the facility is about 2·9 per cent.

507. There are in the Presidency 2,087 sub-banks but there are 1,929 post offices in which there is no savings bank. That is to say, in only about half the post offices in the Presidency are there post office savings bank facilities. Doubtless when there is a savings bank it is necessary to keep more cash in the post office to meet demands for repayment and this may be a reason for not having such accounts in a number of branches but we recommend that the position be examined again by the postal authorities so that this very valuable facility may be extended to as many villages as possible.

Other savings banks.

508. Other savings bank accounts are kept by the Imperial Bank and the large joint stock banks but these are confined to a few large towns and do not naturally touch the vast rural areas or the smaller towns.

Co-operative banks.

509. The co-operative banks have savings deposits in the district central banks but in the villages, until recently, they were not encouraged to open savings banks because it involved them in keeping more cash in the village society than was desirable but now they are encouraged wherever arrangements can be made to get cash fairly readily from the central bank to open savings banks. In other cases the societies have provided for recurring deposits, the member undertaking to pay a small sum monthly into deposit which accumulates and is repayable in a lump with interest after a fixed period, for example, if he deposits one rupee a month for 360 months he receives at the end of the period about Rs. 1,000 but these deposits are commonly for a much shorter period. The amounts so saved are not very large and it is of course obvious that a regular monthly payment is not suitable for a ryot depending for his living only on agriculture.

510. We consider that every possible effort should be made by the Co-operative Department to provide cash facilities for village societies and then to encourage the development of savings bank accounts. For poorer classes, labourers and the like, much can be done by home safe deposits,—money boxes—distributed and only opened by co-operative societies formed solely to encourage thrift and not, at any rate in the early stages, giving any loans at all to the members.

511. The bulk of the small savings is in the form of cash certificates, post office and other savings bank deposits.

Chit funds and nidhis.

512. Two other forms of savings appear in this Presidency and have been fully dealt with elsewhere. They are chit funds and

nidhis. Considerable sums are accumulated in chit funds though it is impossible to get even a very rough estimate of the total. A large number of them, particularly in the south and west of the Presidency, exist in the villages but here again it does not appear that a monthly deposit is altogether suitable for an agriculturist and the annual chits are generally run for sums which are beyond the means of most. The nidhis are very largely urban and only a comparatively small number exist in the villages.

513. The bulk of the saving for which the cash certificates, the savings banks—postal or other—and the nidhis cater appears to be done by the smaller professional man, the Government servant and middle-class wage-earner. None of these facilities seem to have been taken advantage of by any material portion of the vast number of small ryots and the only institutions that appear suitable to help them in this respect are the post office and the co-operative societies. Chit funds where they can be successfully run might provide a lump sum which could with advantage be invested in a certificate or deposit until it can be usefully employed otherwise and the point to be avoided in chit funds is the unwise expenditure of the lump sum which comes to a subscriber who has not had any very definite object in view when undertaking to subscribe. Education, propaganda and the provision of facilities for savings bank deposits may attract more deposits from the agricultural classes, for it stands to reason that a ryot who is not in debt but receives his income for the year in one or two lump payments is in a position to deposit a part of it for a period in a savings account provided he can be sure of getting it out promptly without trouble when he wants it. It is this last factor which deters many from putting money into rural co-operative societies. They are not convinced, and in many cases rightly so, that they will be able to get it back when they need it, and it is for this reason that it is urgently necessary to make better arrangements to get back to the villages easily and quickly.

Joint stock banks—competition with Government.

514. There is no material competition between joint stock banks and the Government in regard to small places inasmuch as the banks' facilities are confined to a comparatively few towns but in the large towns there is undoubtedly competition for deposits, particularly fixed and savings deposits, and the increased rate which the Government is obliged to offer to obtain funds it requires must be reflected in the banks' deposit rates. The banks' demand, is, however, unlike that of the Government seasonal and during the busy time after the harvest when produce is being shifted and trade is brisk their demand for short-term fund is insistent. Considering to what a small extent the banking habit is yet developed it does not appear that the competition between the Government and the banks is yet very serious and the gradual extension of the banking habit will bring increasing sums into current accounts. We have here also to discuss the practicability of extending the post office insurance

fund to the general public. At present this fund is open only to Government servants, and its rates are all round lower than those the large insurance companies are prepared to offer. The Government servant is generally a good life for he comes into Government service on a medical certificate and lives a regular life thereafter. He is therefore on a par with the lives that an insurance company would ordinarily accept at standard rates, but the Government is able to do the business at lower rates, because it does not advertise and has no agents to pay specially for the purpose. It cannot be thrown open to the public, however, at the same rates because of the bad lives that would immediately come in for insurance. Good lives are, however, not confined to the ranks of Government servants. The solution appears to be in the institution of a high premium rate, that is, a rate materially higher than those at present offered and to allow a material discount to bring it down to approximate to the existing post office rates in the case of all those who produce a certificate from a responsible medical officer and all Government servants below 40 years of age. We have not had the advantage of any actuarial opinion on this matter but consider, in view of the importance of providing insurance schemes of various types so that on the one hand the burden on young men struggling to make their way of supporting widows, children and aged persons may be minimized and on the other that a simple form of saving may be provided which will offer a strong inducement to make a small monthly payment with the utmost regularity, that the most careful actuarial examination of the scheme should be made with a view to its prompt introduction if found practicable and insurance in all sound forms should be encouraged.

515. With the nidhis, chit funds and co-operative societies available as organizations to encourage saving and the various savings banks and cash certificates ready to attract the individual it does not appear desirable to start more associations to encourage savings. It would be preferable to stimulate and strengthen the existing organizations, particularly co-operative societies and joint stock banks, for the starting of more associations cannot fail to have some discouraging effect on existing ones. Some of us, consider, however, that there should, apart from those organizations, be a National Savings Committee to impress on every one the need for saving and to urge people in villages and towns to put their savings, however small, into co-operative societies or other form of savings, deposit. Suggestions.

516. There is room for vast expansion of the cheque habit. Except in a few places it is in its infancy. The abolition of the stamp duty has resulted in a great increase in the number of cheques that have been drawn. Doubtless more small cheques are drawn also but every small cheque is an advertisement to the payee showing the advantage of having a current account of his own. Opinions differ as to the extent to which the abolition Cheque habit.

has resulted in opening new current accounts but it does appear to have had some result in this direction also. The number of cheques that have passed through the banks' clearing house is shown in chapter X and it is to be observed that the drop in value in the last year is not due to any diminution in the use of cheques but to a fall in the value of commodities and a consequent reduction in the value of cheques drawn to pay for them.

517. There is no need to attempt to force the pace of development of the cheque habit. The teaching of elementary banking in the co-operative training institutes and the dissemination of that knowledge over thousands of societies and small banks and the constant meetings and arguments that go on constantly cannot fail to have their effect. But the publication of works on elementary banking in the vernacular would help to spread that knowledge, and there does not seem to be any very strong reason why cheques in the vernacular should not be used locally. The multiplicity of scripts and languages, however, militates against the widespread use of cheques in any one vernacular. The small amount of printed matter on a cheque if in a vernacular could have the English equivalent printed below it and the universal use of Arabic numerals would produce a document which would be intelligible enough for very wide use throughout India.

Suggestions.

518. To encourage the use of cheques, far more use of them should be made in Government offices. They should be accepted in payment of dues to the Government. Not only land revenue but other material payments in all departments should be so permitted if necessary only after collection through a bank. The post office and all Government offices should admit marked cheques and receive them in payment of dues of all kinds and cheques against post office savings bank should be accepted for payment of money orders, etc. All Government servants whose pay is above a reasonable minimum should receive their salary by cheque. This the Government servant can pay into his bank but it should also be open to him to cash it at the treasury.

519. The increased use of banks cannot fail to be followed by a demand for further banking facilities. Generally banks have followed trade but the provision of more banking facilities will on the other hand result in their wide appreciation and use.

520. The revived practice of charging commission on cheques of one branch of the Imperial Bank cashed in another has been brought to our notice as a factor which must militate against the development of the cheque habit, and we are unaware of any justification for this step. There is scope for developing branches of the joint stock banks, for the provision of re-discount facilities is necessary to foster trade and to eliminate local disparities in rates, but those in smaller towns must be on a cheaper scale than the ordinary branches of the Imperial Bank.

521. There should be very few post offices, far fewer than there now are, at which it is not possible to purchase cash certificates or to open a savings bank account.

522. The last Royal Commission on Indian Currency has recommended the issue of gold cash certificates as a means to encourage saving but at the same time to get the people to invest their savings and bring hoarded currency into circulation. We recommend also that bearer bonds be issued at Rs. 3-14-0 repayable five years later but being encashable at intermediate rates with quarterly enhancements. Bearer bonds.

523. More than all these, it is necessary that the co-operative department and joint stock banks should do their utmost to inaugurate a more intensive propaganda to encourage thrift, saving in small sums, investments in savings banks and full facilities for deposit and quick withdrawal of all funds so accumulated.

CHAPTER XVII.

Summary of Recommendations.

In the preceding chapters we have made the following recommendations and comments:—

	Paragraphs
(1) Further investigation of the problem of rural economy, finance and record of rights could best be done by a Board of Economic Inquiry	8
(2) No drastic action is called for in regard to consolidation of holdings ...	36
(3) Ryots' academic and technical education needs improvement	118
(4) Co-operative department must concern itself with all business aspects of agriculture	118
(5) Land mortgage banks are necessary for long-term finance	119
(6) They should be cautiously developed ...	119, 157
(7) They should be entirely independent of, and not in competition for funds with, the co-operative organization for short-term finance	160, 162
(8) They should not ordinarily receive short-term deposits	163
(9) Their debenture should be purchaseable as trust securities and this should be provided by an amendment of the legislature	163
(10) If land mortgage banks are to be a success, they must rely on a large debenture issue	173

PARAGRAPHS

(11) They should not rely even at the beginning on special funds such as takkavi loans available only to a very limited extent 173

(12) Of the organizations so far evolved for financing cultivation, the co-operative credit societies are the most promising. 146

(13) There is no immediate prospect of rapid advance in the direction of creating agricultural paper to secure loans outside the co-operative movement ... 147

(14) Delay in granting takkavi loans should be further reduced 164

(15) In ordinary times it is not necessary to pass takkavi loans through co-operative societies 175

(16) Takkavi loans can be very usefully utilized in times of stress for special long-term finance of co-operative societies ... 175

(17) Existing marketing conditions could be improved by the establishment of godowns to which the ryot could take his produce and sell it at his leisure ... 183, 199

(18) The provision of godowns and a co-operative sale society would greatly improve the marketing of cotton in the Bellary area 193

(19) Pending the development of full co-operative sale societies which will grade, pack and sell under guarantee, godown societies should be developed 204

(20) Government should lend more freely to co-operative societies for the purpose of constructing godowns 205

(21) There is need for licensed warehouses in which goods can be held pending sale and pledged for credit 246

(22) More facilities should be offered to co-operative societies for constructing godowns (rat proof in plague affected districts) 359

(23) Steps should be taken to organize markets at suitable places on different days of the week 184

(24) An organization which can follow and publish prices will be of help to the ryots in marketing their produce 185

(25) The creation of a tea market with a weekly auction would be to the advantage of the grower 195

PARAGRAPHS

(26) Specific regular markets are necessary for all important crops at the important centres of the trade in each ... 203

(27) When the trade is large enough, there should be weekly auctions 203

(28) These should be controlled by a marketing board in which the growers are strongly represented 203

(29) Dalals should be licensed 206

(30) Weights and measures should be regulated and constantly inspected by the market authorities 206

(31) The prices prevailing in the various places should be recorded, correlated and communicated for publication at each market by central agencies 206

(32) Closer study of the marketing of agricultural produce should be introduced in the six co-operative training institutes in the mufassal and in the central school at Madras 207

(33) Co-operative institutes should, through their permanent staff, investigate marketing conditions and collect statistics regarding the prices of produce and costs of production and of marketing ... 208

(34) Railway feeder roads should be sufficiently numerous and in good order 219, 246

(35) There should be controlled markets for important commodities of commerce including produce and cattle ... 223

(36) It is desirable to open a local market for skins and hides with periodic auctions and with warehouses for stocking goods. 242

(37) There is need for a bureau of commercial intelligence from which current prices can be communicated to various markets and merchants 246

(38) There will be more scope for co-operative enterprise when Government backed by public opinion enforces the use of only correct weights and measures ... 254

(39) If weavers are to increase production and compete in other markets, a co-operative selling organization can be of great help 271, 276

(40) In regard to marketing of cloth, standardization of the production and guarantee of quality are essential 271, 276

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(41) The more artistic lines of cottage industries would find a larger market if a steady supply of uniform quality could be assured 283

(42) There should be a marketing officer under the Registrar of Co-operative Societies. 209

(43) He should be conversant with the business side of agriculture to look after and develop loan and sale societies 353

(44) He should study and foster all forms of co-operative societies for the marketing of produce 353

(45) He should see that co-operative institutes are in a position to give instruction on all commercial subjects 353

(46) Hundi forms should be standardized and printed in diglot for interprovincial use 246, 288

(47) The precise forms to be used for all hundis should be fixed by a committee representing the principal banking communities 289

(48) Post offices should stock for sale bill forms printed in English and the vernacular in parallel 290

(49) Special railway receipts distinguished in colour or otherwise from those commonly used may be recognized as documents of title and made transferable 296

(50) Bills of exchange for different terms of usance need not be taxed at different rates 297

(51) Stamp duty may be reduced by half and made the same for all usance bills ... 298

(52) Legislation should be undertaken that no bearer cheque can be altered to an order cheque by endorsement 313

(53) Any such alteration made on the face thereof must be supported by the name in full of the drawer or endorser making such alteration 313

(54) Hundis should be treated exactly as cheques if they are cheques 314

(55) As regards co-operative credit societies, it is necessary to provide higher speed machinery for sanctioning loans and for distributing cash 324

(56) There is clearly need for much more instruction in almost all grades of the co-operative heirarchy 328

PARAGRAPHS.

(57) Intensive propaganda and training by official and non-official bodies are necessary for the growth of co-operative banking 340

(58) The existing concessions of the Government for the free remittance of funds for *bona fide* transactions between co-operative societies should be continued 341

(59) The limit to the amounts which can be so remitted should be withdrawn ... 341

(60) There should be a reduced rate for remittance by money order where there is no Taluk office within five miles of the post office used by the credit society 341

(61) Permissive legislation might be introduced to make trust funds available to co-operative central banks 342

(62) More precise charges should be created on crops in favour of creditors providing loans to assist production 345

(63) Such charges should be enforceable promptly 345

(64) Anyone acting in a manner prejudicial to the interest of those charges should be promptly punished 345

(65) The institution of an All-India Co-operative Bank is premature 354

(66) The co-operative banks should provide from their own funds, apart from overdrafts liable to cancellation, a greater amount of their own fluid resources ... 356

(67) The co-operative banks should no longer be required to deal solely with the Imperial Bank 356

(68) Alienation of land should not be restricted to a greater extent than that allowed by the system under which full value is obtained for credit purposes 361

(69) Well-managed co-operative societies could do useful work among the hill tribes in the Agency tracts 362

(70) It should be made clearer that the judges should use the Usurious Loans Act at their discretion 365, 373

(71) It is not practicable to limit the rate of interest by law so as to make it applicable in all cases 366

(72) Official Receivers and Assignees should be permanent salaried Government officers. 376

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(73) Civil courts should be required to deal more expeditiously with insolvency 376

(74) They should see that Official Receivers and Assignees take all possible steps to realize assets and wind up bankruptcies with the minimum delay 376

(75) Records of liquidated firms should be scrutinized to ensure that the liquidation has not come about by culpable action by the management 378

(76) No further action is necessary in regard to registration of encumbrances until more experience is gained with the system now obtaining in the Registration Department 381

(77) There is need for reducing delays in court in litigation and execution 389

(78) Courts should be prohibited from considering a plea that a transaction is benami. 390

(79) The quality of the audit done by practising auditors should be improved 433

(80) The certificate to practise should be granted on much stiffer terms than at present 433

(81) A society of auditors should be formed to control the work of public auditors ... 433

(82) Banking should be made an optional subject for Economics and Commerce Degrees in the Madras University ... 434

(83) The post of the Registrar of Joint Stock Companies who will have to deal with the registration of bankers should not be subsidiary to that of the Inspector-General of Registration 434

(84) He should scrutinize with care the various articles of association and the balance sheets which come before him 434

(85) There is clear need for a reserve bank which will re-discount bills 435

(86) The Revenue Department should not be saddled with the duty of bringing mortgaged lands to sale 437

(87) The remedy lies in speeding up the process of civil law 437

(88) Nidhis should be developed in strict conformity with the Indian Companies Act. 455, 462

(89) Their share capital should not be withdrawable 462

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(90) Five per cent of their share capital shall be paid up on allotment 462
(91) They should not lend on the security of share capital 462
(92) They should encourage long-term recurring deposits and savings deposits 462
(93) They should develop a strong share capital 462
(94) They should set aside a considerable portion of profits each year for their reserve funds 462
(95) They should maintain current accounts only when they are in a position to provide the necessary fluidity of funds ... 462
(96) Their position would be strengthened if they could be federated somewhat on the lines of the co-operative central banks with an apex bank 462
(97) It should be optional to a money-lender to register or take out a licence stating his trade name, style or vilasam and his address 480
(98) Registered money-lenders should supply statements of accounts on demand but in no case less than once in a year to any debtor 480
(99) It is desirable to introduce measures for the control of chits 495
(100) The control should take the form of registration by the district officer 496
(101) Registration should be optional 496
(102) It should be accompanied by a list of members and of the by-laws 496
(103) The members of the chit should have cause of action against the promoters ... 496
(104) They should have power to apply for registration 496
(105) Government should have power to make rules prescribing certain forms of chit including prize chits 496
(106) All the rules promulgated in regard to chit funds should be given full publicity 496
(107) No company should be registered as a bank unless it is provided that profits should be distributed to shareholders only after all preliminary and floatation expenses have been paid and adequate provision has been made for depreciation and reserve funds 502

PARAGRAPHS.

(108) An annual statement should be submitted in a form to be prescribed 502
(109) Embarkation in any mercantile business excepting in the course of realizing assets should entail cancellation of registration 502
(110) Indigenous bankers should be registered with authority to call themselves bankers 503
(111) Registration as a banker should be optional 503
(112) It should be permitted only for those who do only banking business 503
(113) Those registered would be required to file a balance sheet prepared by a certified auditor annually 503
(114) The 'banker' should be given the benefit of the Bankers' Testimony Act ... 503
(115) He should also be given any concessions practicable with regard to a reserve bank or central banking institution if formed 503
(116) Every possible effort should be made by the Co-operative Department to provide cash facilities for village societies ... 510
(117) The Co-operative Department should encourage the development of savings bank accounts 510
(118) It should introduce home-safe deposits ... 510
(119) The post office insurance fund should be extended to the general public if this is found practicable as a result of actuarial examination 514
(120) Insurance in all sound forms should be encouraged 514
(121) Cheques printed in diglot could be widely used 517
(122) Far more use of cheques should be made in Government offices 518
(123) They should be accepted in payment of dues to the Government 518
(124) Not only land revenue but other material payments in all departments should be so permitted, if necessary, only after collection through a bank 518
(125) The post offices and all Government offices should admit marked cheques and receive them in payment of dues of all kinds 518

	PARAGRAPHS.
(126) Cheques against post office savings bank should be accepted for payment of money orders, etc.	518
(127) All Government servants whose pay is above a reasonable minimum should receive their salary by cheque	518
(128) There is no justification for charging commission on cheques of one branch of the Imperial Bank cashed in another.	520
(129) There is scope for developing branches of the joint stock banks	520
(130) Those in smaller towns must be on a cheaper scale than the ordinary branches of the Imperial Bank	520
(131) There should be very few post offices in which cash certificates and savings bank deposits are not dealt with ...	507, 521
(132) Bearer bonds may be issued at Rs. 3-14-0 repayable five years later	522
(133) They should be encashable at intermediate rates with quarterly enhancements.	522
(134) The Co-operative Department and joint stock banks should inaugurate a more intensive propaganda to encourage the investment habit	523
(135) They should afford full facilities for deposit of savings and quick withdrawal of funds	523

We wish to place on record our thanks for the assistance given to us by numerous gentlemen whose information and advice have been unstintedly placed at our disposal. We are indebted for the valuable report of many officials and finally we wish to record our obligation to the Secretary, Rao Bahadur C. J. Paul, for his valuable services and our appreciation of the indefatigable work of the Investigators and of the office staff.

H. M. HOOD.
H. F. P. HEARSON.
C. GOPAL MENON.
M. A. MUTHIAH CHETTIYAR.
V. HAMEED SULTAN MARICAIR.
B. MUNISWAMI NAYUDU.
P. J. THOMAS.*

26th April 1930.

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* Subject to note.

APPENDIX.

Forms of hundis in use.

(1)

17th September 1929,
Purattasi 3rd, 1105.

No. 7.

At sight please pay to Mr. Sankaralinga Moopanar, yarn dealer, or order the sum of Rs. 1,000 (Rupees one thousand only) and debit Srivilliputtur firm account after due entry on the reverse hereof.

(Signed) Arumugatharakanar.

Due date—Purattasi 6th.

(2)

17th September 1929.

No. 6.

From

K. S. R. Subramaniam Chettiyar, Yarn merchant, Srivilliputtur.

To

M.R.Ry. Kanthaswami Moopanar Avargal, Tinnevelly.

At sight please pay to K. S. Narayana Tharakanar or order Rs. 500 (Rupees five hundred only) and debit our account after making due entries on the reverse hereof.

Rs. 500.

(Signed) Subramaniyam Chettiyar.

(3)

Form of darsana hundi.

At sight of this sole of exchange, please pay ———————— or order at ———— (place) the sum of Rs. ——— (words) ———————— for value received in cash.

(Signature)

To

M.R.Ry. ————————————————

(4)

Form of a hundi payable within a prescribed period.

(15) (fifteen) days after date (or after sight) please pay ———————— or order at ——— (place) the sum of Rs. ——— (words) ———————— for value received in cash.

(Signature)

To

M.R.Ry. ————————————————

(5)

Calicut, 10*th September* 1929.

Rs. 300.

At (57) fifty-seven days after date we jointly and severally promise to pay Messrs. S. Doraiswami Ayyar & Bros., or order at the Imperial Bank of India, Calicut, the sum of Rs. 300 (three hundred only) for value received in cash.

(Signed) V. RAMA AYYAR.
(„) B. NARAYANA AYYAR.

V. Rama Ayyar, B.A.,
Vakil, Calicut.

B. Narayana Ayyar, B.A., B.L.,
Advocate, Calicut.

---

(6)

Due date————————

Madura, dated—————— 19 .

——————No.

Hundi Rs. 1,000.

Stamp annas fifteen.
Fifteen annas.

At (90) ninety days after date without grace days we promise to pay Seth Fatichaud Gokaldas or order at the office of—————— the sum of rupees one thousand only for value received in cash.

————————

————————

---

(7)

Victory to Sri Rama,

Dated—————— 19 .

No.

R. Venkatesayya & Bros.,
Groundnut merchants and Commission agents.

Hindupur.

To

M.R.Ry.——————————Garu.

We, R. Venkatesayya & Bros., after making salutations, inform you that we are sending you this hundi to pay the sum of Rs.————(in words) Rupees—————— to the order of M.R.Ry.——————————of——————. So please make kind enquiries of the bearer of this hundi, pay Rs.————, get entry of the payment at the bottom of this hundi and take back the same. As the hundi is one of a delicate nature, the amount should be paid without any objection whatever.

Rs.————.

Yours, etc.

————————

Signature.

(8)

With the help of God Sri Venkateswara of Tirupati.

No.

To

Hindupur, ————19 .

M.R Ry. ———————— Garu.

We, Gorantala Venkatesayya & Bros., after making salutations, inform you that we have sent you this hundi to pay to the order of M.R.Ry. ———————— the sum of Rs. ————(in words) Rupees————————. So please pay the same imme diately after it comes to you, debit it to our account and take it back after obtaining entry in this hundi in token of repayment.

AT SIGHT

Rs. ————.

Yours, etc.

————————

Signature.

---

(9)

At————————days after date $\frac{\text{with}}{\text{without}}$ grace days, please pay————————

or order the sum of Rs. ———— $\frac{\text{for value received in cash.}}{\text{for value of goods supplied.}}$

Date.

Drawer.

---

(10)

Rs.

Form No.

Date————————19 .

M.R.Ry. ———————— (the name of the person addressed) will pay to the order of————————the sum of Rs.————(in words)————————and take this hundi back after getting it endorsed on the reverse.

Rs.

Yours,

————————

Signature.

---

(11)

R.M.L.K., Pallathur.

1st September 1929.

To

L. M. G. SUBRAHMANYAM CHETTIYAR, Esq., Madras.

<u>On demand</u> please pay to S. R. M. Ar. Kathan Chettiyar
thirty days after sight of Devakotta or order the sum of Rs. 5,000 (rupees five thousand only) $\frac{\text{with interest at 9 per cent per annum}}{\text{at the current Madras rate of interest}}$ and debit the amount to our account

(12)

Sriramajayam.

No. 49. *Negapatam*, 1*st August* 1928.

From

A. Chinnaswami Ayyangar & Sons,

To

Messrs. O. A. O. K. Lakshmanan Chettiyar, Sowcarpet, Madras.

At sight please pay to R. Krishna Ayyar, Mylapore, or order the sum of Rs. 560 (rupees five hundred and sixty only) and debit to our account after making due entries on this

A. Chinnaswami Ayyangar & Sons.

Rs. 560.

---

(13)

Sriramajayam.

No. 69. *Mannargudi*, 10*th October* 1928.

From

A. R. Ramanathan Chettiyar, Mannargudi.

To

M.R.Ry. A. O. Muthukaruppan Chettiyar Avargal, Chidambaram.

At sight please pay to Mr. M. Krishna Pillai of Palayur on account of Krishnaswami Mudaliyar of Mannargudi, the sum of Rs. 1,038 (rupees one thousand and thirty-eight only) and debit to our account after making due entries herein.

A. R. Ramanathan Chettiyar

Rs. 1,038. (Four anna stamps.)

---

(14)

No.______

Vizianagram ______ 19 .

Name________________

Address________________

____

Rupees________________

________only.

Rs.______

Vizianagram ________ 19 .

Rs.______

On demand please pay to ________ ________ or order the sum of rupees ________ for value received ______

To ____________

____

____

Form

(15)

No.———— | No.———— ————19 .
Name———————————— | Rs.————
Address———————————— | On demand please pay to————
To the order thereof———————— | ————————————
———————————— | or order the sum of rupees————
 | ————————————
 | for the value received.
 | To————————
 | ————————
 | ————————

(16)

No.————

Bezwada,

Dated————19 .

Rs.————

ADDEPALLI VENKATAPPAYYA, BEZWADA.

On demand please pay to————

————————————

the sum of rupees————————

————————————

for the value received.

To————————

————————

————————

(Signature)————

No.————

Bezwada,

Dated————19 .

Rs.————

ADDEPALLI VENKATAPPAYYA, BEZWADA.

On demand please pay to————

————————————

the sum of rupees————————

————————————

for the value received.

To————————

————————

————————

(Signature)————

MAJETI SUBBIAH SONS & CO.,

Piecegoods merchants.

(17)

Bezwada,

——————19 .

No. ————

Rs. ————

On demand please pay to——————————————

——————————————————————

or order the sum of rupees——————————————

——————only for value received.

To——————————

——————————

——————————

(18)

ANDHRA ENGINEERING COMPANY.

Proprietor :—C. V. REDDI, B.A.,

Bezwada,——————19 .

No.————

Rs.————

On demand please pay to myself or order at the Imperial Bank of India at

——————————————

the sum of Rupees——————————

for value received as per R. Receipt No.————, dated——————19 ,

attached herewith.

ANDHRA ENGINEERING COMPANY.

To——————————

——————————

Proprietor.

ANDHRA ENGINEERING COMPANY.

Proprietor :—C. V. REDDI, B.A.,

Bezwada,——————19 .

No.————

Rs.————

On demand please pay to myself or order at the Imperial Bank of India at

——————————————

the sum of rupees——————————

for value received as per R. Receipt No.————, dated——————19 ,

attached herewith.

ANDHRA ENGINEERING COMPANY.

To——————————

——————————

Proprietor.

(19)

(*a*) No.——— Rs.——— *Station*——— date———
due on

At days———(or months) after date, pay to———or order, the sum of Rs.——— with all bank charges and overdue interest for value received in goods as per Invoice No.——— of

(Signature) ———.

(20)

(*b*) Rs.——— *Station*——— date———

due on

At days———(or months) after date, I promise to pay———or order the sum of Rs.——— for value received against goods purchased.

(Signature) ———.

To

———

(21)

HUNDI (MYSORE).

The Raja Cycle and Motor Works,
Bangalore City, 8th October 1929.

Rs. 188-9-0.

At thirty days *after sight*, please pay Messrs. The Anantapur District Co-operative Bank, Limited, or order the sum of rupees one hundred and eighty-eight and annas nine only for value of railway receipt attached herewith.

FOR THE RAJA CYCLE AND MOTOR WORKS,
(Signed) ———

To Messrs. The Neo Auto Works,
Town Extensions, Anantapur.

(22)

HUNDI (INDIA).

37—39—41, *Abdul Rahman Street,*
Bombay, 14*th October* 1929.

(30) (thirty) days *after sight pay to ourselves* in Bombay or order the sum of Rs. 178-8-0 (rupees one hundred and seventy-eight and annas eight only) for the value received in goods.

FOR VICTOR WATCH CO.,
(Signed) ———,
Manager.

To Mr. V. C. Venganna Chetti,
Watch merchant.

(23)

HUNDI (INDIA).

Madras, 16*th October* 1929.

No. 388.

At 30 *days date D/A* please pay to the order of the Anantapur District Co-operative Central Bank, Limited, Anantapur, the sum of rupees eighty-eight. anna one and pies four only for value received—vide Bill No. 7793 of 16th October 1929.

To Messrs. Sri Sadhana Press,
Extensions, Anantapur.

Rs. 88-1-4.

FOR J.-B. ADVANI & CO., LTD.,

(Signed) ————,
Manager.

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(24)

Madras, 8*th October* 1929.

Rs. 150 only.

At sight pay to the order of Messrs. The Anantapur District Co-operative Bank, Ltd., Anantapur, the sum of rupees one hundred and fifty only for value received.

To Messrs. The Motor Warehouse,
Anantapur.

For RANE, LIMITED,

(Signed) ————————
Director.

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(25)

2

Sivamayam.

Muthumariamman Thunai.

No. 30.

Rs. 1,000

P.R.S.RM.

21st January 1930—Kilasivalpatti S.A.S. .. .. .. Cr.
P.R.S.RM. .. .. Dr.

Please pay to Messrs. S.A.S. or order on demand, Rs. 1,000 (Rupees one thousand only) with interest at current rate of interest and debit our account after making due entries herein.

(Signed) P.R.S.RM.

Sukla, Thai, 8th

To P.R.S.RM., Rangoon.

(26)

Demand Draft.

No.————

Rs.————

————————————19 .

At sight please pay to ———————————————— or order the sum of rupees ———————————————— only for value received on account ———————————————— and debit to my account.

Signature ————————————

To

————————————

————————————

————————————(Drawee)

———

(27)

Thavanai Hundi for Goods Sent.

Rs.————

Due ————————————19 .

Place ————————————

Date ————————————19 .

At ———————————————— days after sight please pay to ———————————————— or order the sum of rupees ———————————————— only for value received against R/R ————————————————

(Signature)
Drawer

To

————————————

————————————

————(Drawee)

———

(28)

Thavanai Hundi for loans.

Due ————————————19 .

Place ————————————

Date ————————————

At ———————————————— days after date we jointly and severally promise to pay ———————————————— or order at the Imperial Bank of India, Madura, the sum of rupees ———————————————— only for value ———————————————— received in cash.

(Signature) ————————————

(29)

Vaddi Hundi.

No.

Date————————.

On demand please pay to————————————
or order with interest from date the sum of Rupees————————————————only for value received and debit to my account.

(Signature)————————

To

————————

————————(Drawee)

No interest after————————19 .

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(30)

Free Hundi.

Rs. 2,000.

Cocanada, dated————————19 .

On demand
Fifteen days after sight please pay to (name).
Fifteen days after date

Nalam Ramalingayya Garu or order the sum of Rupees Two thousand only for value received and place the same against my account.

(Signed) NALAM PALLYA.

To Chokka Subba Rao,
Rangoon.

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(31)

Business (or documentary) Hundi.

Rs. 5,000.

Cocanada, dated————————19 .

On demand
Fifteen days after sight, please pay to (name)
Fifteen days after date.

Mr. Chokka Subba Rao or order the sum of Rupees Five thousand only for value received and place the same against the goods supplied.

Attached 476 bags of rice B/L.

(Signed) CHALI MUHAMUD.

To P. Hameed & Co.,
Cannanore.

(32)

To

M.R.Ry. Gudimetla Ramachandramurti Garu,

Salutations of Siram Narasimham.

This is written as hundi on you for payment of Rs. 2,000 (in words) Rupees Two thousand on demand / only fifteen days after sight / fifteen days after date to M.R.Ry.———————— Garu or order; please therefore pay this amount and debit our account, after making due entry on the reverse.

Rs. 2,000.

(Signature)

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(33)

To

M.R.Ry. Gudimetla Ramachandramurti Garu,

Salutations of Palakurti Ramam.

This is written as hundi on you for payment of Rs. 1,000 (in words) Rupees One thousand only on demand / fifteen days after sight / fifteen days after date to M.R.Ry.———————— ———————— Garu, or order; please therefore pay this amount and debit our account after making due entry on the reverse. The Railway receipt / Bill of lading of 500 bags of paddy consigned on your account is herein enclosed.

Rs. 1,000.

(Signature)

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(34)

No.————

Rs. ————

Panayapatti M.RM.M.

Dated————

Gr.————

Dr.———— M.RM.M. Firm, Rs.————

Our * *Adatti* S.S.RM. Subrahmanyam Chettiyar to pay the bearer at Madras the sum of Rs. ————————mentioned above to the order of ———————— together with interest at the current rate from (date) ———————— obtain an endorsement of the payment hereon and debit the same in our accounts.

M.RM.M.

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* Apparently, 'Commission Agent'.

(35)

No.————

Rs.————

C.RM., Kandanoor.

Dated———— 19 .

Cr.————

Dr.———— C.RM., Kandanoor, Rs.————
———— to pay the bearer the sum of Rs.————
———— mentioned above to the order of ————
————and debit the same ————with
an endorsement of the payment hereon.

Dated————

C.RM.

(36)

No.————

Rs.————

KILASIVALPATTI.

P. Alagapuri P.R.S.RM.

Dated ————19 .

Cr.————

Dr. ———— P.R.S.RM., Rs.————
———— to pay the bearer on demand the sum of Rs.————
mentioned above to the order of the abovementioned person and debit the same in our accounts with an endorsement of the payment hereon.

Dated————

PR.S.RM.

(37)

No.————

Rs.————

K.V.AL. AL., Penang.

Dated ———— 19 .

Cr.————

Dr.———— K.V.AL. AL. Firm, Rs.————
————to pay at sight the bearer at Madras, the sum of Rs. ————
mentioned above to the order of ———— who brings this and debit the same in the accounts of our firm herewith an endorsement of the payment hereon.

Dated ————

K.V.AL.Al.
Agent.

(38)

No.
Rs.________

Pallattur S.M.A.M.

Dated,
Cr.______
Dr.______ S.M.A.M. Firm, Rs.______

Our____________Chetti to pay the bearer on demand at Rangoon the sum of Rs.____________mentioned above together with interest at the rate current in Rangoon, from (date)____________ to the order of____________ and obtain an endorsement of the payment hereon.

Dated, S.M.A.M.

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(39)

Two thousand two hundred and sixteen and annas nine only.

No. 1521. Rs. 2,216-9-0.

2

Sivamayam.

Annamalaiyar thunai.

KV. AL., Kualalumpur.

1st December 1927—Kualalumpur S. A. Abdul Khader .. .. Cr.
K.V.Al. firm .. .. Dr. Rs. 2,216-9-0______

Please pay to bearer K. Ibrahim Alli Ambalam or order the sum of Rs. 2,216-9-0 (Rupees Two thousand two hundred and sixteen and annas nine only) and debit to our account making due entries herein.

K.V.Al.

(Signed) K.V.Al. MUTHIAH CHETTI.

To
K. V. Al. Sowrirajiengar,
Madras.

Prabhava,
Karthigai,
16th.

30 F.M.S, Stamp.

(True copy)

P.T.O.

K. Ibrahim Alli Ambalam S.N.Ma. Usa.

No. 501.

Pay to S.N.N. Firm there.

(Signed) S. N. KASI AYYAR.

Prabhava, Karthigai 28th, received the sum of Rs 2,216-9-0 mentioned herein.

For S.N.N.

(Signed) A. S. RAMASWAMI AYYAR.

(40)

Sivamayam.

No.

Rs.

M.N.M. Saigon.

193 ________________ year ________________ month ________________ date

____ CR. ________________

M.N.M. Firm ________________________ Dr. Rs. ________________________

Please pay this sum of Rs. ____ to the order of ____ at Madras and debit to our account making due entries of payment herein.

________________ year.

________________ month.

________________ date.

(Signed) M.N.M.

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(41)

Hundi bearing interest from a fixed date.]

No. 87.

Rs. 600.

Sivamayam.

Annamalaiyar thunai.

Kottaiyur K.V.AL.

Prabhava, Purattasi 8th, Karaikudi AT. A. SV............................Cr.

Kottaiyur K. V. AL. firm—........Dr........Rs. 600.........................

This sum of Rs. 600 (rupees six hundred only) please pay to order of above AT.A.SV. at Madras with interest at current rates of interest from Avani 9th and debit the account of RM.M. after payment is made.

To K.V.Al. Sorirajiengar,

Madras.

Cash paid.

K.V.AL.

(Signed) K. V. AL. Ramanathan Chetti.

K.V.AL.

1927, September 24th.

(Seal)
1 anna
stamp.

P.T.O.

V. KR. ST. 9-8-28.

AT.A.SV. Annamalai Chettiyar.

Interest Rs. 9-8-8.

No. 585 N.S.V.

Prabhava Purattasi 24th, received Rs. 600 and interest.

V. KR. ST. Namasivayam.

V. T. K. Duraiswami Ayyar.

(42)

Hundi bearing interest from date of issue to date of encashment.

No. 67.

Rs. 5,000.

Sivamayam.

Annamalaiyar thunai.

Madras K.V.AL.

25th November 1924.

Through Chidambaram N. Krishnaswami Ayyar, Minakshi Ammal, wife of the above N. Krishnaswami Ayyar .. .. Cr.

K.V.AL. Firm .. .. Dr. Rs. 5,000.

This sum of Rs. 5,000 only we shall pay to the above N. Krishnaswami Ayyar with interest at current rates of interest and get back this bill after payment.

Cash paid.

K.V.Al.

Rakthakshi Karthigai 10th.

(Signed) K. V. AL. ALAGAPPA CHETTI.

(True copy)

4 one-anna stamps.

Entd. Krodhana Karthigai 24th. Interest up to Purattasi 30th from Rakthakshi Karthigai 10th—Rs. 364-2-6.

Interest from Arpasi 1st—9 per cent interest. Entd. Akshaya Chitrai 23rd. Krodhana Arpasi 1st to Panguni 30th interest Rs. 187-9-8, rupees one hundred and eighty-seven, annas nine and pies eight, received.

(Signed) MINAKSHI AMMAL.

Entd. Akshaya Arpisi 13th. From Chitrai 1st to Panguni 30th. Interest according to vaddi chitta Rs. 139-13-6 and to principal, Rs. 2,500—total Rs. 2,639-13-6.

Prabhava Vaikasi 19th Entd.

From 1st Arpisi to Panguni 30th—interest as per chitta Rs. 103-14-6—1st June 1927.

Received Rs. 2,608-0-4 balance of principal and interest up to date settled.

(Signed) MINAKSHI AMMAL.

T. R. VENKATESA AYYAR,
High Court Vakil, Triplicane, Madras.

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(43)

Hundial bearing nadappu interest from date of issue.

Sivamayam.

Rakthakshi Arpisi 10th—Kanadukathan—ABC Avargal .. Cr.

Kilasivalpatti XYZ .. .. Dr.

I owe ABC above Rs. 3,000 on account of cash taken for the purchase of samans. This sum of Rs. 3,000 please pay to ABC or order with current rates of interest and debit my account after payment is made.

To R.S.T., Rangoon.	One anna	1 anna X	1 anna Y	1 anna Z

Signed ABC

Akshaya Adi 1st—Principal of this hundi—Rs. 3,000—interest Rs. 451-8-0—total Rs. 3,451-8-0. Rangoon R.S.T. firm.

No. Madras hundi 1—Rs. 2,883-8-0—cash Rs. 568 received.

All accounts settled—

(Signed) ABC

(44)

Hundi not bearing interest after a fixed date.

Madras, AL. KR.

Sivamayam.

Sri Amirthavalli Ambal thunai.

PL. V. RM. V. Karaikudi, Ramnad district.

No. 10.

Vibhava Purattasi 19th.

Karaikudi S. K. S. Sundararajiengar .. .. .. CR.

Karaikudi PL. V. RM. V. has to pay to you Rs. 8,000 on account of house No. 505 in Maharnombu Ramasami Agraharam II Ward, which was purchased from you. This sum of Rs. 8,000, Madras AL. KR. Viraraghavan Chettiar shall pay with interest at current rates and debit L.P.A/c. after payment. This hundi does not carry interest from Arpisi 19th.

(Signed) PL. VRM. V. VENKATACHALAM CHETTI,

4th October 1928.

Stamp :—

PL. V. RM. V. Karaikudi,

Ramnad district.

Please pay principal and interest of this hundi to order of Madura A.K.A.A.A. & Co.

(Signed) S. K. S. SUNDARARAJIENGAR.
(,,) A. K. A. A. A. & Co., CHINNAYA NADAR.
(,,) S. N. S. S. Madura No. 2793 pay to S.N.N. firm there.
(,,) S. N .S. R. RAMASWAMI AIYAR.
Vibhava Arpisi 8th Paid Rs. 8,000.

Received.

(Signed) S. N. SUBRAMANIA AIYER.

(True copy)

NOTE BY MR. P. J. THOMAS.

1. I regret that owing to fundamental difference of opinion on certain important points I am constrained to put in this note. As the time at my disposal is much too short, I shall make it brief. It is illustrative rather than exhaustive.

2. The two principal duties of the Provincial Banking Committee are (1) to collect accurate information on the financial agencies of the Presidency in their relation to agriculture, industry and trade and (2) to make recommendations. The former is the more important because it is the foundation of the latter. The subjects covered by the enquiry are vast and it is no easy task to collect accurate statistical information on those subjects for such a vast Presidency as Madras. Nor has the time at the disposal of the Committee been long enough; for, although the Committee

was appointed in July 1929, active work by members of the Committee began only in January 1930. Indeed the two Revenue Officers appointed as Investigators to the Committee commenced work early enough, but their work was mostly confined to village investigations. If, as the Central Committee originally suggested, intensive enquiries were conducted in a few selected districts rather than in villages, it might have enabled us to get more comprehensive information and more reliable statistics on such subjects as marketing, rural indebtedness and indigenous banking, which could not be properly surveyed in the course of village surveys. This has not been done and the result is that, in my opinion, the facts and statistics we have at our disposal on certain important subjects are not adequate to enable us to draw safe conclusions. I shall illustrate this by taking a few important points.

1. Total Indebtedness.

3. An attempt is made in Chapter V of the Report to estimate the total indebtedness of the Presidency. I am more concerned with the causes, forms and incidence of indebtedness than with the estimate of total amounts; nevertheless as the bulk of that chapter—the longest in the Report—is given to an estimation of total indebtedness, I feel justified in giving prominence to it. To my mind the conclusions drawn are not reliable and if any such estimate is deemed necessary, fresh enquiries should be instituted for that purpose.

4. The estimate is based on the assumption that the average duration of mortgages is 3 years, and that, therefore, we could estimate the total existing mortgage indebtedness of any one year by adding up the total mortgage debt of the three previous years or by multiplying by three the total mortgage amount of any one of them. In this, the Committee follow the views of Sir Frederick Nicholson, who in 1894 estimated the total indebtedness of the Presidency by multiplying by three the mortgage amount for one year (1891) on the ground that "if the average duration of mortgages with possession taken as one lakh, be taken as five years, and that of simple mortgages taken as two lakhs, as two years, the average duration of all mortgages will be about three years. (Report regarding the possibility of introducing Land and Agricultural Banks, Vol. 1, page 270.) Whatever might have been the value of this three-year formula for the time when Nicholson carried out his investigations, its applicability to modern conditions is subject to grave doubts. The following factors, in my opinion, should be taken into account when making any such conclusion at the present time:—

(*i*) It may be assumed that of the mortgages with a prescribed term, the average duration is three years, but the great bulk of mortgages, especially in the dry areas, are of unspecified

terms. The following table relating to simple mortgages registered in Srimushnam Sub-Registrar's Office during the years 1924-1929 is instructive.

Year.	Number of unspecified duration.	Number of specified duration.	Total.
1924	152	108	260
1925	167	83	250
1926	137	87	224
1927	148	85	233
1928	164	128	292
1929	124	64	188

The same is true of mortgages registered in the Sub-Registrar's Office at Ellore, which may be seen in paragraph 87 of the Report. This is confirmed by independent researches elsewhere in South India. Out of 1,226 mortgages in Mysore State examined by Messrs. D'Souza and Krishnaswami Ayyangar, as many as 764 were for unspecified periods.

(*ii*) The fact that the average duration of specific period mortgages is three years does not warrant the conclusion that at any given time the total existing mortgage indebtedness may be estimated by adding up the mortgages of the three previous years; for, in reality few mortgages are actually discharged on the expiry of the period specified in the document. In practice most mortgages run for a longer period than specified in the document and so long as interest is paid regularly and the property does not depreciate, the mortgagee does not worry himself about it. This is true also of usufructuary mortgages, for a usufruct does not cease merely by the expiry of the term specified in the document. The document may be only for one year, but so long as the mortgage amount remains unpaid, the land will remain in the possession of the mortgagee. We may remember in this connexion that the bulk of mortgages are executed in favour of neighbouring landholders, who show no inordinate hurry to have the mortgage terminated.

(*iii*) In paragraph 90, details about renewals are given in support of the three-year formula, but this again does not help us very much, as we have no statistical information as to what proportion of the total mortgages of the same years and places were renewed. In practice, renewals take place mostly when interest falls into arrears or when the mortgagor needs a fresh loan. Only a fraction of the mortgages are actually renewed; in the great majority of cases mortgages remain unredeemed for many years and end in a sale of property by court-auction or by private negotiation. According to an experienced zamindar who appeared before the Committee at Rajahmundry, 90 per cent of the mortgages terminate only by the sale of land (Oral Evidence, page 56).

5. In order to be able to draw any reliable conclusions from mortgage indebtedness, we shall have to carry out detailed enquiries into the history of mortgages in typical regions in the

Presidency. The usual information available in the Sub-Registrar's Office is not sufficient; we must trace the course of each of the mortgages registered in the last 10 or 12 years and then make our deductions. In 1927-28 a research student of the University of Madras made a study of the mortgages of ten villages in Satyamangalam taluk (Coimbatore district) and his conclusions do not support the three-year formula.

6. A careful study of motgages seems to me absolutely necessary, not only for estimating the total indebtedness of the Presidency, but also because there is a complaint in the country that as a result of indebtedness land changes hands nearly every generation and that tenancy is increasing at the expense of ownership in many districts of the Presidency*. These are matters of the utmost importance from the point of view of the Banking Enquiry, but the information we have gathered on the subject is quite insufficient.

2. Nidhis and Chits.

7. These are two of the chief indigenous financing agencies in the Presidency, and both require careful scrutiny, as complaints have been repeatedly raised about their constitution and working. The nidhis, in particular, are an important financial agency in some of the southern districts, and the many failures that took place in the last ten years and the transformation of several of them into regular commercial banks call for a careful scrutiny of their constitution and functions; but this has not been done. The questionnaire contains no specific reference to them, and naturally there is little information about them in the written evidence. In my view, we have not gathered sufficient information about these institutions to make any specific recommendation, and therefore until such a detailed enquiry is carried out, I shall not be in a position to assent to any conclusions or recommendations concerning their present position and future working.

3. Marketing.

8. It is generally known that the orderly marketing of commercial crops in this Presidency is hampered in many ways, by middleman's charges and by the money-lenders' exactions. We have some indications of it here and there in our written evidence, but no systematic effort has been made to collect statistical information about this important subject and further enquiry should be instituted if any safe conclusions are needed.

9. Our information on marketing is particularly slender on the subject of cotton and tobacco. The Indian Central Cotton Committee carried out investigations at the Adoni area and came to the startling conclusion that cultivators ' are not under any obligation to sell to the lenders ' and that they ' are not hampered

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* See written evidence of Mr. D. W. Dodwell, I.C.S., Mr. Giriappa, Mr. V. C. Rangaswami and others.

by their borrowings in the disposal of their kapas'. We know that this is not true of the Bellary area and how such difference should exist (if indeed it does) in the methods of marketing between Bellary and Adoni (within a distance of 40 miles) is a matter that calls for further enquiry. The information we have collected is not adequate.

10. Similarly about the marketing of tobacco in Chirala. In the memoranda submitted to the Committee by the Madras Central Urban Bank and by certain gentlemen of Guntur*, it is pointed out that the tobacco-growers of Chirala market their tobacco on very unfavourable terms owing to the monopolistic position of a certain tobacco-manufacturing company. Our attempts at getting information from the company proved futile, and although there is a paragraph about the subject in the report, I do not think that it fully brings out the facts of the case. This also requires further enquiry.

11. Not only for the purposes of the Banking Enquiry, but from the point of view of the agricultural and industrial development of the country, the subjects above touched upon deserve to be carefully studied. The best agency for making such enquiries is a Board of Economic Enquiry as suggested in Chapter I of the Report and I recommend that such a Board may be set up without delay so that it may follow up the threads of the present enquiry and in order that the results of the further enquiry may be available before the Central Committee completes their deliberations.

II

Recommendations.

12. I agree with my colleagues in regard to most of the recommendations, but I feel that I must go further than they on certain fundamental issues.

The Re-discounting System. (Chapters V, VIII, X and XI.)

13. The most important of them is in regard to the introduction of re-discount banking. The greatest defect of our banking machinery to-day is the wide disparity between the Imperial Bank's discount rate and the rate of interest at which the average merchant or farmer could borrow in this country. To my mind, a radical solution of this is needed and that is only possible by the deliberate adoption and encouragement of the re-discounting system, which I proceed to describe in some detail below.

14. The present methods of raising short-term credits in India whether in agriculture, trade or industry are defective and cumbrous. For expenses during cultivation or manufacture, loans have to be raised on high rates of interest on the strength of promissory notes or mortgages. Even if the produce is ready for

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* Messrs. V. Venkata Punnayya (Banker and rice-mill owner) and K. Sriramulu (President, Guntur District Board). See also Mr. N. G. Ranga's written evidence.

marketing, it is difficult to raise loans on the security of the produce as there are no independent warehouses. Sales are generally effected on the 'open' account system and therefore the seller has got to wait till the buyer is ready to pay up. The book account cannot be turned into liquid cash and therefore money remains idle. Indeed 'produce' loans are available wherever the Imperial Bank or other joint stock bank has warehousing accommodation, but the condition that the goods must be kept in the bank's godowns is regarded as *infra dig* by most merchants of standing. The merchants therefore have to raise their loans by buying hundis from Multanis at high rates of interest or by borrowing on pro-note from the Imperial Bank. The double signature required for pro-notes by the Imperial Bank is generally not convenient for Indian merchants and they therefore prefer the Multani shroff. The result is that adequate funds are not available and whatever is got costs the borrower too dear. Such high costs and the high prices which they give rise to prevent the expansion of business in the country. This is the fundamental defect of our financial machinery and no advance is possible without remedying this.

15. In all advanced countries, there are ample devices by which short-term credits can be raised at low rates on securities which are of a liquid character. They use negotiable instruments like pro-notes, drafts and bills of exchange to obtain advances, and as these instruments can be discounted and re-discounted before they reach maturity, monetary resources become mobile and the price of money becomes reasonable. The fundamental defect of India is not that there is not enough money but that it is not properly manipulated as to make its flow elastic. A well-conducted system of discount banking is therefore the proper solution for our difficulties.

16. Except in Great Britain discount banking is a recent growth. Even in the United States, where the system has lately become most developed in all its ramifications, there was a positive antipathy to discount banking before 1914. There were many banks operating in the country but they were not connected with the central money market, and each bank depended upon local resources, and re-discounting of bills being limited, interest rates were as high as 10, 12 and 15 per cent in some districts, while in towns much lower rates prevailed. The Federal Reserve Bank Act of 1913 remedied this defect by providing a national discount system, which enabled country banks to become members of the Federal Reserve system and obtain abundant re-discounting facilities. These benefits were extended not only to the merchant and the manufacturer, but also to the agricultural classes by enabling them to get their notes, drafts and bills re-discounted at the Federal Reserve Banks when accepted by a country bank, and by allowing such paper longer maturities (six and nine months) than enjoyed by commercial paper.

17. We have to develop on the same lines in India. We want a re-discounting system with a growing bill market; in order to create such a system we must modify our methods of raising short-term credit and systems of marketing. *Borrowing* is now the bane of our financial machinery; it must be transformed into discounting, so far as all productive operations are concerned. Borrowing inevitably results in high rates of interest and high production costs; but discounting will enable bankers to advance more freely and at less risk as the security is a more fluid one.

18. The simplest case is the short-term self-liquidating transaction; bills of exchange, foreign or inland, representing a sale or other genuine commercial transaction. It may be a sight bill or a usance bill; but in either case it will liquidate itself automatically. When such a bill is accompanied by the bill of lading or/and railway receipts and is accepted by the drawer's bank, it becomes a first-class negotiable instrument and can be discounted and re-discounted according to the needs of the holder.

19. Secondly there is marketing credit. With a view to helping in the orderly marketing of produce, whether raw or finished (i.e., agricultural or industrial), banks in most countries now advance on non-perishable, readily marketable commodities properly stored in warehouses. Such paper (notes or drafts) when secured by documents evidencing ownership can be discounted with banks. The use of banker's acceptances in the financing of marketing of industrial produce has been long known, but it was only lately that agricultural produce was brought into the orbit of the discounting system; and this has reached the highest development in the United States of America, where the Federal Reserve Act makes special provision for the discounting of paper drawn for the purpose of orderly marketing; such paper may be created by any private individual and discounted at his bank, or if the person is a member of a co-operative society he could get the work done by the society. The Act has given special concession to co-operative marketing organizations in the matter by allowing them to draw paper of longer maturities than usual (i.e., six and nine months).

20. Indeed, banks in India now lend on produce, but as goods have got to be placed in their own godowns and are not generally liberated in instalments, many merchants and agriculturists do not resort to them as freely as they might. Therefore there is an urgent need for independent warehouses in this country at suitable centres so that the discounting system may be extended to agricultural marketing. In the interior this may be done mainly through the co-operative loan and sale societies, provided Government will make grants for the purpose. With produce in its godowns, the co-operative sale society must be in a position to create a negotiable paper, which could be discounted by the Central Bank or even by commercial banks. In the larger towns, independent warehouses are to be constructed by other agencies.

21. Could we go any further than the marketing stage in the creation of negotiable paper? In my opinion, we could, and we should. In the United States 'eligible' paper, i.e., the bills, notes and drafts re-discountable at the Federal Reserve banks, include not only paper secured by documents of sale or warehousing receipts, but also paper created for productive purposes. by agriculturists, i.e., for purchasing implements or raising crops or breeding animals; and for the special convenience of agriculturists, longer maturities have been allowed for such paper. Thereby financial resources of the country have been mobilized in such a manner as to serve the interests of not only commerce and industry but also of agriculture. Indeed there are difficulties in creating such agricultural paper, due chiefly to agriculture's dependence upon monsoons and other natural forces and due also to the fluctuations of prices of raw products. Such difficulties have been experienced in the United States, but the thoroughness of organization characteristic of the Federal Reserve system has surmounted all such difficulties.

22. Indeed the introduction of the discounting system into agricultural finance in India is beset with even greater difficulties, although many of them may be avoided by proceeding through safe channels and by measured steps. Considering the backward character of our agriculture, and the illiteracy, improvidence and unpunctuality of our farmers, I do not think that agricultural paper could be made acceptable to commercial banks, when offered by individual farmers as in the United States of America, but I do maintain that agricultural paper accepted by the co-operative primary society and the central bank should be eligible for being discounted, to a limited extent at branches of the Imperial Bank or other joint stock banks. At any rate, when the reserve bank is founded, such paper must be readily re-discountable by its branches, within a prescribed maximum limit. There is nothing very revolutionary about this suggestion. Already the Imperial Bank has allowed the co-operative central banks to create an overdraft account on the strength of the notes of the members of primary societies. That privilege is now being withdrawn, not because this has resulted in any loss, but because of other reasons. When a reserve bank is created, as I hope it will be, a certain proportion of its funds may be set apart for re-discounting agricultural paper proceeding from primary societies and accepted by the central banks. One condition of such facilities being extended to agriculturists is that the crops should be hypothecated by those who avail themselves of such credit, and godown facilities should be provided for keeping produce when delivered.

23. In the case of agriculturists, whose farming business is proceeding on business-like lines and who, by their stability and standing, deserve easier credit facilities, I do not see why the commercial banks should not go a step further and accept their notes on condition that their crops are hypothecated to them. But, great caution is necessary in this matter; and perhaps it would be best to commence this after a fair degree of success has been

achieved in the discounting of co-operative paper. If any steps are to be taken in this direction, I recommend that it may be on the lines of the Agriculturists Credits Act (1928) of England.

24. In India to-day bills are used more in foreign trade than in inland, and that is because discounting facilities are more abundant in the former than in the latter. The transmittance hundi is popular enough and has always been known, but the great majority of hundis are finance bills which have no specific commercial transaction behind them. The proper trade bill must be created by giving all possible facilities for their discounting. The duties on bills must be reduced and the use of bilingual bills allowed. The standardization of hundi forms is also necessary as stated in Chapter X of the Report. A concentrated effort must be made for the education of our businessmen in the use of bills.

25. There is no reason to think that this is too advanced a step for India. Until the introduction of the Federal Reserve system (1913) in the United States, the country bankers looked with suspicion upon re-discounting system. They regarded it as " a sign of weakness, as a flag of distress, and would not resort to it except as a last resort ". Yet, when the Federal Reserve system came in, the country banks threw away their suspicion and availed themselves of re-discounting facilities, and the result is unprecedented mobility of credit and an unparalleled expansion of trade and business.

26. If such facilities for short-term credit are to be availed of by the Indian merchant and agriculturists, they must mend their ways. The merchants must adopt more systematic modes of business, and the farmer must improve his methods of cultivation and keep regular accounts of his costs and receipts. A more reliable supply of water is also a prime necessity, which calls for organized effort in the matter of irrigation. Without improving our methods substantially, it will not be possible to make the radical change in the methods of obtaining credits sketched above, however clearly we might perceive the superiority of the credit methods in use elsewhere. Hence the importance of carrying through a carefully devised developmental policy as a preliminary to the introduction of improvements in the financial machinery of agriculture.

Agricultural Methods (Chapter V).

27. Our traditional methods of agricultural production are not calculated to increase the standard of living of the ryot. Our agricultural methods must be so modified as to maximise the quantity and value of the crops raised and thus put more money into the hands of the ryot. As Mr. G. R. Hilson, the Director of Agriculture, points out in his memorandum to the Committee, one fundamental defect in the system of cultivation in the Presidency is the inordinate value attached to swamp paddy cultivation. As a rule 'garden' crops are more profitable than paddy and it has the additional advantage that the land need not be continually

under water. The popular view which looks with suspicion upon the substitution of food grains for 'money' crops is not based on any proper understanding of the true economic interests of the country. There are parts of the country where paddy is the most economical crop; but to turn land which would yield a better return under a commercial crop into paddy land by expensive irrigation projects is not calculated to enhance the prosperity of the country, nor improve the financial position of the ryots. The raising of commercial crops must be positively encouraged, and irrigation projects should be directed to such purposes also.

28. *Holdings.*—An 'economic' holding is the prime essential for profitable tilling. Where holdings are minutely subdivided and fragmented into bits, there cannot be any incentive to intensive culture. That subdivision is a grave evil in the Presidency and that the majority of holdings have become 'uneconomic' is clear from the figures quoted in paragraph 31 of the Report. The accompanying tendency to fragmentation is also a great hindrance to profitable cultivation. In paragraphs 32—35 of the Report it is maintained that fragmentation is not a serious evil in this Presidency. Opinions differ on this point, and as no systematic enquiry has been carried out throughout the Presidency we are not in possession of adequate data to form a judgment in the matter. At the suggestion of Dr. Slater, University Professor of Economics, the Madras Board of Revenue made an enquiry in 1919 and although the Board thought it impracticable to interfere, they did not deny that fragmentation was increasing in the Presidency. It may be conceded that this evil is not so pronounced in Madras as in certain other provinces in India; nevertheless, it seems to be necessary to enquire into the extent and incidence of fragmentation in the Presidency and devise proper remedies to combat it. It might also be useful to enact legislation for making holdings impartible beyond a certain minimum size.

Marketing and Co-operation.

(Chapters VIII and XI.)

29. The re-discounting system sketched above supposes a more systematic marketing machinery than is now existing in the country. Marketing is the crux of the problem. At present marketing is carried on by a chain of middlemen, and the links in the chain are advances at high rates of interest. The ryot borrows from the local sowcar-shopkeeper, who in turn borrows from the dallal in the town, and the dallal generally raises his capital from Marwaris and other money-lenders. The ryot, and perhaps the local shopkeeper, lose also by false weighment, by heavy commissions and by the forced sale of produce in a congested market. This system of financing marketing operations must be replaced by a system of short-term credits which will keep money more mobile, bring down the rate of interest and enable the owner of the produce

to market at the most auspicious time and at the highest available prices. This is only possible by the creation and discounting of negotiable paper at every stage of the transaction as sketched in the previous section.

30. A proper co-ordination of credit supply with marketing is the *sine qua non* for such improvement. The sowcar knows the need for such co-ordination and the exporting firms know it too, but the co-operative movement has only recently come to realize that unless marketing is controlled, the ryot will have to sell his produce at a loss and the loans made to him by the co-operative society may not always be readily repaid. This recognition has resulted in the opening of co-operative loan and sale societies, but they have not yet got the necessary equipment (e.g., godowns, trade connexions, trained businessmen, etc.) to function well, nor is their work properly co-ordinated with that of the credit societies. All this must be radically changed. All short-term loans must be the first charge on the crops, and where there are co-operative godown facilities, the produce must be delivered to the co-operative sale society to be prepared for the market and sold in the proper manner.

31. The credit society must also supervise the utilization of its loans, supply the necessary expert knowledge for efficient production and insist upon the ryot keeping regular accounts of his receipts and outgoings. If all this can be done—and it is only a matter of time and organization—agricultural paper will become readily discountable and the rigidity which now characterizes agricultural finance will be diminished. The co-operative society first appeared on the scene as a lending institution and this was the fundamental defect which resulted in overdues and irregularities. If the movement is to succeed, it must place marketing and thrift on a par with credit supply. This is our greatest need to-day.

32. The sale society must work as a regular business concern with the salaried assistance of trained businessmen and must have expert guidance in regard to the preparation of the produce for marketing, i.e., cleaning, curing, drying, decorticating, grading and so forth. The society should raise credits with commercial banks on the strength of warehouse receipts and should market the produce by instalments in order to avoid the evils of a congested market.

33. Having established sale societies at suitable centres and having co-ordinated their work with that of the credit societies, we must federate them in each economic region by forming central selling organizations, which will negotiate with buyers for the sale of produce. This may lead to a suitable system of pooling as in the United States of America and Canada. It requires intelligent organization and efficient management which can only develop gradually in a country like ours which has been long accustomed to get such work done for it by others.

34. Pooling may take time to develop and it is not practical in all lines of produce, but the provision of regulated markets should give our producers considerable relief for the present. Organized markets will result in fair dealings between the sellers and buyers; the full competitive price will be available to all; cheating in weighment could be avoided, and the vexatious mamuls may be done away with.

35. Even where the big exporting firms operate, there are various inconveniences felt by the producers and merchants dealing with them. They often give crop loans on the stipulation that produce is delivered to them. With the purest intentions in the world, this system may not always work to the best advantage of the seller. The actual sale is not always effected in the presence of the seller, and opportunities are not always available to him for satisfying himself that his produce had obtained the 'top' prices for that grade of produce. In every way a system of regulated market where produce is sold by periodic auctions and whose operations will be controlled by a Board on which producers will be represented will be a great improvement on the present system. The Royal Commission on Agriculture has strongly recommended the establishment of such markets. The matter was taken up by the Madras Provincial Cotton Committee and as a result a Bill is now before the local Legislative Council. Many such markets are necessary in the Presidency for cotton, oil seeds, tobacco, hides and skins, tea, coffee, copra and rubber. India to-day is one of the principal exporters of tanned hides and skins, and Madras is responsible for the bulk of the Indian produce, and yet we have no local market for this important produce and the exportation of it abroad is attended with many difficulties connected with finance. A hides and skins market in Madras is therefore an urgent need. Similarly a market for tea, coffee, copra and rubber is needed at Cochin which may thereby come to compete with Colombo as a centre for estate produce. Serious difficulties are now felt by producers, especially by the smaller estate owners, in the marketing of their produce. The European tea and coffee planters whom the Committee consulted on the matter agreed that a market at Cochin is a very promising idea.

36. *Marketing surveys.*—It is of the greatest importance that surveys should be made of market conditions in the Presidency. As the Royal Commission on Agriculture has put it "the collection and study of exact information on the question must necessarily precede the formation of an effective policy for the improvement of marketing". (P. 408.) To carry out such surveys, persons trained in economic enquiries are needed, and therefore the Commission recommends that the Universities and bodies like the Punjab Board of Economic Enquiry must collaborate in the matter.

37. In chapter XI of the present Report (paragraphs 209-10), it is stated that the co-operative institutes might carry out such surveys. These institutes are primarily schools for the training of

co-operative hands and many of their teachers may not have the time and the training needed for such investigations. In any case, isolated efforts by these institutes are not likely to be of much avail, but if they work under the direction of a central authority like the Board of Economic Enquiry suggested in chapter I, they can be made useful local agencies for the collection of information and the dissemination of marketing intelligence.

38. The collection of information is not sufficient; it must only be a preliminary step to practical work. The Board must aim at providing advice to the agriculturist by studying world market conditions and making seasonal forecasts. It must publish 'outlook' reports every six months and 'readjustment' studies enabling 'sick' areas to readjust production to the needs of the market must also be carried out. In short, it must be like a laboratory or observatory, and must do all the work done by the Bureau of Agricultural Economics maintained by the Ministry of Agriculture in the United States.

39. *Industrial banking.*—In paragraph 257, there is a statement as follows:—"There is no industrial bank at present and there does not appear to be any likelihood of one being formed in the near future." I disagree with my colleagues on this point.

40. If there is need for industrial banks to grant long-term loans to industries—as I think there is—it is certain that they will not grow spontaneously. In Germany and Japan, where such banks exist, they were the result of active State help. There seems to be need for an industrial bank in South India at the present time and I recommend that it may be started under State supervision and control. It might be possible to harness the nidhis to industrial investment but the matter requires further consideration.

Regulation of Banking (Chapter XV).

41. It appears to me that the Indian Companies Act is not adequate to control the operations of joint stock banks nor does it sufficiently safeguard the interests of the public that deposit and deal with them.

42. We have not made any detailed enquiry into the financial position and stability of joint stock banks in the Presidency; yet we have enough evidence to indicate that the smaller of them have more or less neglected to build up adequate reserve funds in their anxiety to declare good dividends, and that the proportion of cash and securities held against demand liabilities is generally inadequate to protect them and their depositors against possible run. The Indian Companies Act makes no provision for such requirements; nor has the Registrar of Joint Stock Companies who administers the Act adequate powers to scrutinize the stability of banks. Indeed there is provision for audit, but the kind of audit that is now insisted on is not sufficient to safeguard the interests

of the shareholder and the depositor. I regard this state of things with some concern. In a country like India where the joint stock system of banking has not yet taken firm root and where the public are not yet sufficiently experienced in the technique of banking as to scrutinize a balance sheet, it is incumbent on Government to act as guardians of the public and legislate for the regulation of banking. Even in countries like the United States of America and Canada where banking has developed considerably, special enactments exist to regulate banking. It is possible to provide for this in the Indian Companies Act, but as there are banking concerns other than joint stock to be regulated and as it is proposed to bring them also within the banking mechanism of the country, it might appear preferable to have a separate enactment. I recommend that those nidhis which deal with non-members must also be brought within the pale of the new enactment as they stand in need of regulation as much as the regular joint stock banks.

43. The new Act must also insist on banks restricting themselves to what is properly considered banking business. Loans should not be granted by a bank on the security of its own shares. The rights and obligations of bank directors must be defined by law. A definite relation may be prescribed between subscribed and paid-up capital and a minimum paid-up capital must be insisted upon before a bank commences operations. Such minimum must vary according to the nature of business and the field of operations of the new concern. There must be clear-cut rules about the building up of the reserve fund, and the form and manner in which liquid assets should be maintained. Audit must be more independent than it is at present, and although I would not suggest that Government should directly undertake it, I recommend that until a society of qualified auditors arises, the Provincial Government might be empowered to prescribe rules for the proper auditing of bank accounts.

44. *Banking education.*—The facilities available for banking education in the Presidency are not adequate. Banking and Currency is a special subject for the B.A. Honours Course in the University, and the subject comes to a certain extent into the B.A. Pass Course as well; but these courses are not adequate to give specialized training in advanced banking, theory and practice. The proper degree course in which such a training could be given is the B.Com. Such a degree has been recently instituted in the University, but no provision has been made for preparing students for the degree. In these circumstances I recommend that a college of commerce be instituted in Madras by the joint efforts of the Government and the University.

P. J. THOMAS.

29*th April* 1930.

NOTE BY THE CHAIRMAN.

I find it necessary to comment on certain statements in Mr. Thomas's note.

Mr. Thomas in paragraph 2 criticises the work of the Committee and suggests that the Committee of which he was a member began active work only in January. This is not correct. The Committee met fifteen times between August and December. It decided to defer oral evidence until the written evidence has been received and the Investigators' reports examined. The Investigators obviously could make detailed enquiries only in a few villages and the suggestion that intensive surveys of village conditions could be carried out in the 1,200 villages of a district is unworthy of serious consideration. Mr. Thomas undertook to check the work of these Investigators and went to certain villages for the purpose on 22nd to 25th October, 6th, 7th and 23rd December. The Investigators' reports are published and speak for themselves.

The members of the Committee were expected to bring a considerable personal knowledge to bear on the problems, and generally were in a position to do so. It was not expected that members of the Committee would require to learn, after joining the Committee, all the elements and conditions of rural life in the province. The programme was agreed to and worked out on this basis.

With regard to the Chapter on 'Total Indebtedness' I append the figures brought by Mr. Thomas before the Committee but not now included in his report. The figures were given by a research student in the Coimbatore district in 1927–28 and were as follows:—

	Total mortgages from 1916—1926.	Mortgages existing in 1927.	Total number of mortgages registered in 1924, 1925 and 1926.
Pungar	77	28	15
Peerkadavu	43	14	2
Bahutampalayam	67	26	18
Kotamangalam	89	20	20
Ikkarathathapalli	{ 78	38	28
	{ 192	63	25
Bhattacarthiayyampalli ..	68	26	9
Komarapalayam	56	20	21
Malayadipathur	271	52	49
Dasaripalayam	60	13	11
	1,001	300	198

This shows that with an average of 100 mortgages per year over ten years, 300 were subsisting at the end of the period though only 198 had actually been registered during the last 3 years; that is to say that the number registered during the last 3 years were below the average. It has never been suggested that mortgages last only 3 years but it was suggested that while some are paid off and others increase, some are cancelled or superseded after a year

and others persist for 10 or 12 years before being cancelled or replaced by a new document. On an average they last about 3 years, but at any time that average includes some of only one year's duration and many others of much longer duration than three years. Mr. Thomas's figures in part support this contention. The Report itself emphasises the dubious nature of information on total indebtedness when taken from a single source or method of computation.

It is quite incorrect to say that in paragraph 90 figures were given to support the three-year formula. All information obtained was put forward. It did support the three-year figure but the suggestion that attempts were made to bolster up the formula by fresh figures is without foundation or any justification whatever, and I know of no information to support the statement that of the lakhs of mortgages registered annually a great majority remained unredeemed for many years. No such information was placed before the Committee and the fact that many mortgages end in sale does not controvert the other fact that on the average a registered mortgage document does not subsist for more than three years.

Nidhis and chits.—All the evidence which Mr. Thomas asked for regarding these was obtained. He further suggested that the Committee should go back to Coimbatore to study the matter again. The majority of the Committee considered that this was quite unnecessary as it had already camped in Coimbatore for some time but it was suggested that if Mr. Thomas wished he might go back to Coimbatore and himself make any further enquiries he saw fit. He declined to do so.

Regulation of banking.—Mr. Thomas's statement in paragraph 41 that the smaller banks neglect their reserves in their anxiety to pay dividend is not entirely borne out by the statement in paragraph 40 of the Report, of 16 banks of which the balance sheets were before us.

H. M. HOOD.

30th April 1930.